

Revenue Scotland

Annual Report and Financial Statements
for the year ended 31 March 2017

Resource Accounts

RS/2017/01

A Non-Ministerial Department of the Scottish Administration

Laid before the Scottish Parliament by Revenue Scotland in pursuance of the Revenue Scotland and Tax Powers Act 2014 on 25 September 2017

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info@revenue.scot

Revenue Scotland
PO BOX 24068
Victoria Quay
Edinburgh
EH6 9BR

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Statement from the Chair

In this, our second year of operation, I am delighted to publish our *Annual Report and Financial Statements of the Resource Accounts for 2016-17* which provides details of our operational performance and expenditure, and highlights key activities delivered over the last 12 months.



The report shows Revenue Scotland consolidating its operational performance to improve on the already highly effective service in administering and collecting the devolved taxes on behalf of the Scottish Parliament and the Scottish people.

The second year of operation saw Revenue Scotland pass a number of significant milestones. Not only did this include the collection of over £1bn of tax revenue since our establishment but also the successful collection of the Additional Dwelling Supplement for Land and Building Transaction Tax (LBTT), the first significant change to our taxes introduced through a fast-tracked legislative process by the Scottish Parliament in 2015-16. In addition, the year also saw Parliament consider and approve, through primary legislation, changes which will see Revenue Scotland collect and manage a further devolved tax called Air Departure Tax (ADT). This is a huge vote of confidence in our organisation.

I believe that our success is built on the professionalism, flexibility and resilience of our staff and also the strength of our partnership working –none of which we take for granted. In the last 12 months, the organisation has further strengthened key partnerships with the Scottish Environment Protection Agency and Registers of Scotland to underpin the administration and collection of LBTT and Scottish Landfill Tax (SLFT), and with key stakeholders across Scotland's tax and financial landscape. Further, in preparing for the introduction of ADT, we have forged completely new relationships with a new set of stakeholders, including aircraft operators and airline industry organisations, consulting them at an early stage to support delivery of the new ADT system. We believe that early investment in these relationships will bring dividends in the future.

We are already well into the 2017-18 tax year which represents the end of our first corporate planning period. In the course of the year, I will have the privilege of presenting our second corporate plan to the Scottish Ministers and then, subject to their approval, of laying this plan before Parliament. Core themes which will continue to run through our work are our commitment to maintaining high standards, minimising tax avoidance and evasion, and delivering excellent public service for the people of Scotland.

The Revenue Scotland Board congratulates and thanks Elaine Lorimer and her team for their commitment and achievements over 2016-17.

Dr Keith Nicholson – Chair of Revenue Scotland

The Performance Report

Overview

This section of the annual report and accounts provides an overview of the performance of Revenue Scotland in delivering its general function which is the collection and management of the devolved taxes. The *Revenue Scotland Annual Report and Financial Statements – Resource Account* provides the complete picture of the operation of Revenue Scotland. Specific information regarding devolved tax revenue and collection can be found in the *Revenue Scotland Annual Report and Financial Statements - Devolved Taxes* for the financial year 2016-17.

Statement from Chief Executive and Accountable Officer

The publication of the *Revenue Scotland Annual Report and Financial Statements of the Resource Accounts 2016-17* is a significant milestone for Scotland's tax authority as it moves from an organisation starting up to a more mature state. It also represents the first full operational year for me as its Chief Executive and Accountable Officer.



Reflecting on the last 12 months, the organisation has undergone significant change and restructuring. This was a change designed in the light of operational experience to strengthen the day-to-day activities underpinning the management of Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLFT) and to ensure we have capacity and the right organisational structure to deliver our statutory duties, including good operational processes and sound guidance. Implementing this change took longer than anticipated due to the challenges we faced recruiting the right people with the right skills and this contributed significantly to the underspend in our resource accounts.

All change brings with it a degree of challenge for any organisation and the restructuring required staff to be flexible, adaptable and resilient throughout the process in order to maintain delivery throughout the year. I was struck by the professionalism they adopted throughout the period of change and I want to thank them for that.

During the period, I am pleased to note that Revenue Scotland:-

- increased the amount of tax collected to £633m, including over £1m of additional revenue secured through robust compliance activity;
- improved its performance against most operational key performance indicators;
- delivered improved efficiency by reducing the cost of collection (as measured by Key Performance Indicator 10) from 0.9% to 0.7%; and
- successfully extended its role both in terms of administering LBTT Additional Dwelling Supplement and preparing for the collection of Air Departure Tax from April 2018

During the year, a key focus was on improving our business planning processes through ongoing staff engagement and more robust reporting arrangements. We also further developed our workforce planning through the establishment of a People Strategy which was finalised in May 2017. Additionally, we enhanced our approach to the identification and management of risk and have taken action to embed good practices across the organisation.

An area of focus for the coming year will be to build more capacity and capability in terms of our staff to equip us for further change. With this in mind, we have been increasing staff engagement around the delivery of our People Strategy. Through this process I expect to see improvements in our Employee Engagement Score in 2017-18.

Further evidence of the maturing nature of our organisation and of the new fiscal framework is the first appeals to the Scottish Tax Tribunals¹. In 2016-17 we had nine appeals notified to the tribunal. The tax tribunal has an important role to play in clarifying the law for Revenue Scotland and taxpayers and we look forward to considering its decisions as its role evolves.

The preparations for Air Departure Tax (ADT) once again highlight the importance to Revenue Scotland of effective collaboration to ensure our new systems and processes meet the needs of this new group of taxpayers and also support efficient and effective collection of the devolved taxes. This is at the heart of the organisation's ethos.

As part of its growth, the profile of our organisation has increased across the public body landscape. In parallel with the work to develop stakeholder relationships for ADT we have strengthened our links with the Scottish Parliament, our existing partnerships with key delivery organisations Scottish Environment Protection Agency (SEPA) and Registers of Scotland (RoS) and increased our engagement with HMRC and the tax authorities of other devolved administrations.

In terms of engagement with the Scottish Parliament, I was called by the Finance and Constitution Committee to give evidence on two occasions - responding to the Stage 1 scrutiny of the Air Departure Tax (Scotland) Bill and the committee's inquiry into the first year of operation of LBTT. I was pleased to note the positive endorsement of Revenue Scotland's performance.

I was also invited to be an external member of the Scottish Parliament's [Budget Process Review Group](#) which was commissioned to review the current parliamentary processes for budget scrutiny in light of the new fiscal framework in Scotland.

Revenue Scotland also engaged with the Scottish Fiscal Commission as it prepared to take up its new responsibilities for forecasting tax revenues. We recognise that the data Revenue Scotland holds is crucial to the work of the Commission and we look forward to a positive working relationship with the Commissioners and the staff who support them.

We also continue to have regular engagement with our key stakeholders including the Law Society of Scotland, the Institute of Chartered Accountants of Scotland, the Chartered Institute of Taxation and others. These relationships are crucial to our work and the last 12

¹ From 24 April 2017, the Tax Chamber, operating within the [Scottish Tribunals](#), was established and took on the functions of the former Tax Tribunals for Scotland.

months has seen a range of activity supporting this, from face-to-face meetings with individual representatives to our tax technical forums held regularly throughout the reporting period.

More widely, regular meetings have been held with officials setting up the Welsh Revenue Authority as they prepare for the devolution of similar tax powers to Scotland. Our experience has proved useful in preparing them for the journey ahead.

The next section of this report provides the following:

- a statement of the purpose and activities of the organisation;
- a summary of key issues and risks with information about how we have managed these;
- a summary of our overall organisational performance in line with the KPIs set out in the corporate plan agreed with Scottish Ministers in 2015.

It is clear that Revenue Scotland has continued to serve Scottish taxpayers efficiently and effectively, improving on the services established in its first year, deepening our expertise in the devolved taxes and proving to be flexible and adaptable to the demands and challenges arising in Scotland's changing tax landscape. I have every confidence that 2017-18 will see this positive journey continuing.

Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer
13 September 2017

Revenue Scotland's Purpose and Activities

What is Revenue Scotland

Revenue Scotland is responsible for the collection and management of Scotland's devolved taxes – currently Land and Buildings Transaction Tax (LBTT) and Scottish Landfill tax (SLfT). Subject to Parliamentary approval of secondary legislation, Revenue Scotland will also be responsible for Air Departure Tax from April 2018.

The organisation was created by the Revenue Scotland and Tax Powers Act 2014 (RSTPA) which received Royal Assent on 24 September 2014. This created the legislative framework for devolved taxes in Scotland and led to the establishment of Revenue Scotland as a body corporate on 1 January 2015.

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

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

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

Governance Structure

The Revenue Scotland Board comprises five members. Each member has been 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 provide specialist knowledge and also act as ambassadors, promoting the policies and values of the organisation.

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

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

Details of the activity and impact of the Board, the committees and staff are contained in the Performance Analysis and Accountability Reports which are found later in this 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. 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. It is then for Scottish Ministers to determine the budget proposals to be submitted to the Scottish Parliament for consideration and approval within the Budget Bill, including the proposed budget for Revenue Scotland.

Subject to the limits imposed by the budget allocated to Revenue Scotland by Parliament 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.

Revenue Scotland's Purpose and Strategic Objectives

The Strategic Purpose of Revenue Scotland is set out in the Corporate Plan² which was approved by the Scottish Ministers and laid before Parliament in 2015. The following is an extract from the Corporate Plan 2015-18 which sets out what we plan to deliver over the period to March 2018 in the form of our purpose, ambition and strategic objectives.

² [Revenue Scotland Corporate Plan 2015-18](#)

Our Purpose is:

To collect the devolved taxes which fund public services for the benefit of all Scottish citizens.

Our Ambition:

We will achieve our Purpose by:

Delivering excellent tax administration founded on Adam Smith's four 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.

Revenue Scotland achieves this by adhering to the principles set out in Adam Smith's *The Wealth of Nations* on equity, certainty, convenience and efficiency. In doing so we are reflecting the endorsement of these principles by the Scottish Government in their development of the Scottish Approach to Taxation.

- **Equity:** "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."
- **Certainty:** "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."
- **Convenience:** "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."
- **Efficiency:** "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."

The principles also underpin the organisation's strategic objectives to ensure all those involved in the administration and collection of tax are working together to ensure the right amount is paid at the right time.

Strategic Objectives

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

National Performance Framework

Revenue Scotland's purpose and ambition are fully aligned with the Scottish Government's Purpose:

- *to focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth*

and the National Outcomes as set out in the **National Performance Framework** (<http://www.gov.scot/About/Performance/scotPerforms>), in particular:

- National Outcome 1: *We live in a Scotland that is the most attractive place for doing business in Europe; and*
- National Outcome 16: *Our public services are high quality, continually improving, efficient and responsive to local people's needs.*

The Activities we undertake to deliver our Purpose

Collecting Scottish taxes

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

In the course of the year Revenue Scotland collected £633m (2015-16: £572m) of tax revenue of which £484m (2015-16: £425m) related to LBTT and £149m (2015-16: £147m) related to SLfT.

Efficient and Effective Collection of Tax

Since it was established, Revenue Scotland has put digital innovation at the heart of its approach to tax collection. The success of the Scottish Electronic Tax System (SETS) continued in year two as shown in the Case Study below. Paper alternatives were available during the reporting period for those unable to submit returns electronically.

Case study: Using digital innovation to deliver online tax returns

Key Performance Indicator: 98.8% of tax returns submitted online in 2016-17 (target of 90%)

The Scottish Electronic Tax System (SETS) is the web portal allowing taxpayers to submit their returns electronically.

A key element underpinning the creation of Revenue Scotland was to create a modern and digitally focussed tax authority which uses the very best of modern digital technology. The SETS system went live for the collection of tax on 1 April 2015, putting digital innovation at the heart of Scotland's approach to taxation. Revenue Scotland established an initial target for 90% of all tax returns to be submitted online during its first operational year. This was outperformed last year (98.1%) and increased to 98.8% for 2016-17.

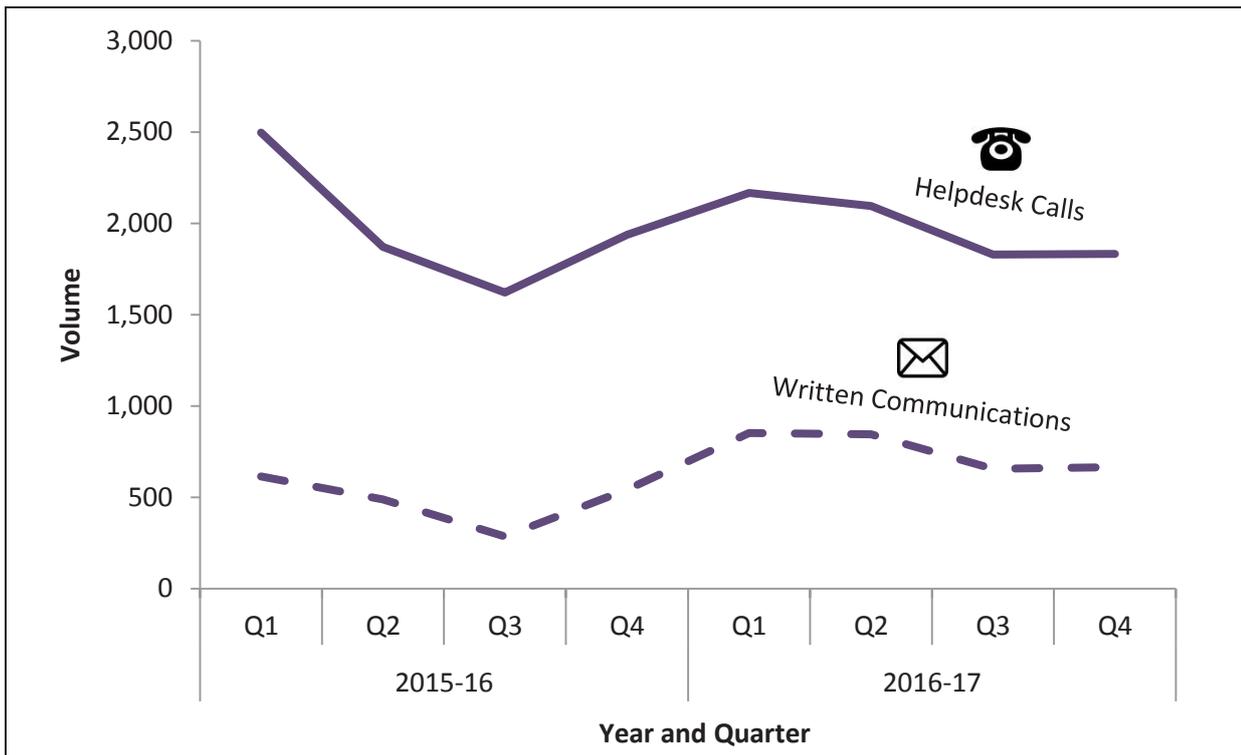
Revenue Scotland worked in partnership with agents, stakeholder organisations and other tax interest groups to develop the SETS system, ensuring it was secure, easy to use and met taxpayer needs. This work continued in 2016-17 as significant changes were introduced to accommodate the introduction of the Additional Dwelling Supplement.

Communication with taxpayers and agents

Revenue Scotland seeks to make payment of the devolved taxes as convenient as possible given the legislative framework we work within. Our first mechanism to achieve this is through the preparation of easy to use legislative guidance, well-structured tax processes and the use of an effective and user friendly on-line return system (SETS). Over the course of the year, we continued to refine our guidance in response to feedback (e.g. from taxpayers and agents) and operational experience.

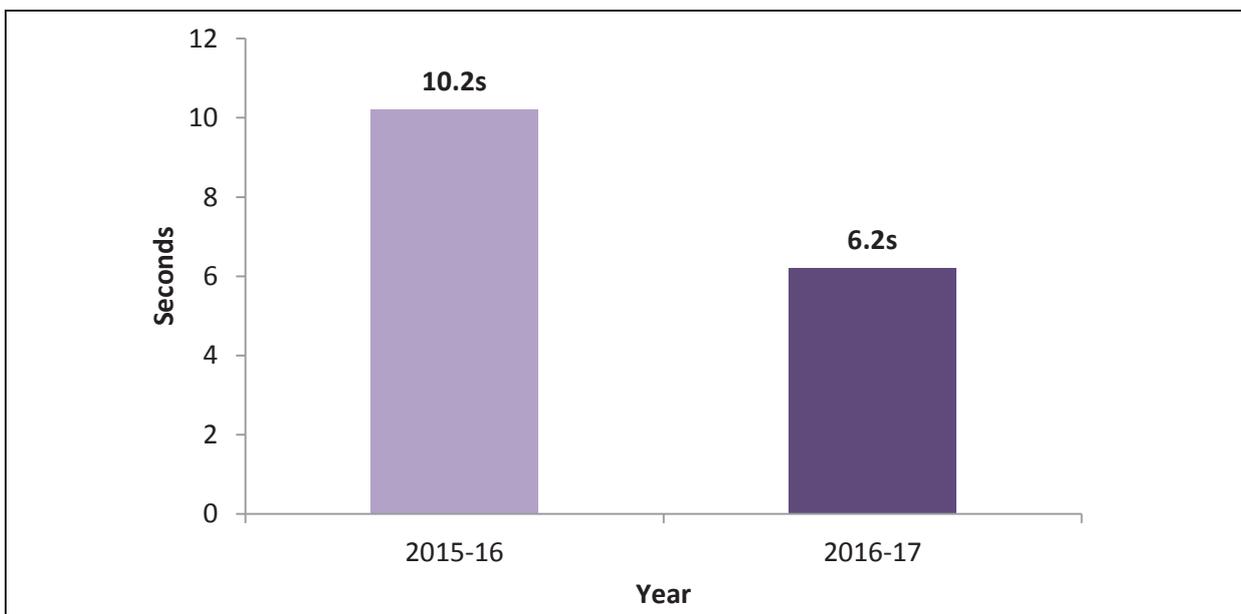
It is, however, recognised that there will be a requirement for taxpayers and agents to contact us. The organisation receives technical tax enquiries by email and post and aims to respond within 10 working days of receipt. As shown in **Graph 1** below, more than 3,000 written communications, including technical enquiries, were received during the second operational year, with 98% of these responded to within 10 days.

Graph 1: Written Communication and Support Desk Calls



Taxpayers and their agents can also phone the dedicated Revenue Scotland support desk for information and assistance relating to the devolved taxes. In 2016-17 the support desk received 7,926 calls , down very slightly compared to 7,929 in 2015-16.

Graph 2: Helpdesk Average Call Waiting Times



The average call waiting times for 2016-17 dropped to 6.2 seconds compared to 10.2 seconds for calls received in 2015-16.

Opinions Service

Revenue Scotland offers an opinions service which is designed to deal with complex tax queries where a taxpayer or their agent has consulted the available guidance but remains uncertain about their tax liability for a specific transaction. The opinions service is intended to resolve genuine cases of difficulty or uncertainty rather than provide a checking service for all cases. **Table 1** shows that the number of opinions requested in this year more than doubled to 80.

Table 1: Opinion Service Activity in 2016-17 and 2015-16

	2016-17	2015-16
Cases b/fwd	2	0
Requests received	80	39
Finalised - taxpayer view supported	35	14
Finalised - taxpayer view not supported	37	23
Open/further information requested c/fwd	10	2

Feedback received indicates that taxpayers and their agents consider this an important and effective service which allows them to submit returns for more complex transactions with greater certainty.

Compliance activity

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

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

In 2016-17, Revenue Scotland issued notices charging penalties and interest of £507,000 (2015-16: £145,000).

The statutory obligations and powers of Revenue Scotland are set out in the Revenue Scotland and Tax Powers (Scotland) Act 2014 (RSTPA). This equips the organisation with various investigatory powers to make enquiries into submitted tax returns. Revenue Scotland takes a risk-based approach to its compliance activity and works closely with RoS and SEPA to fulfil its statutory duties efficiently and effectively.

In 2016-17, work was carried out to refine our approach to compliance focused around:

- early interventions: contacting taxpayers' 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.

The key performance indicator of direct compliance yield measures revenue raised as a direct result of determinations, assessments, adjustments and penalties where non-compliance has been identified. This has generated £1.529m of tax in the year 2016-17 (2015-16: £531,000) and £420,000 of penalties and interest (2015-16: £58,000).

In addition, Revenue Scotland's compliance activity 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, resulted in £2,029,000 of additional tax being returned in 2016-17 (2015-16: £1,065,000).

Governance Group and complex cases

Revenue Scotland does not have criminal investigation powers and is not a specialist reporting agency. We have therefore established a multi-agency Governance Group which includes representatives of Police Scotland, HMRC, SEPA and the Crown Office and Procurator Fiscal Service. We meet with them on a regular basis to consider cases involving tax avoidance or tax evasion.

We seek the advice and support of our Governance Group to ensure the most appropriate sanctions are applied, ranging from civil penalties to criminal prosecution. We report cases involving tax fraud to Police Scotland and provide them with support to assist their investigation of crime.

Managing disputes

There are three routes that may be taken by a taxpayer in the event of a dispute. Taxpayers may request a review, mediation or they can appeal decisions to the Tax Tribunal.

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

Before 24 April 2017 that right of appeal lay to the Scottish Tax Tribunals established under the Revenue Scotland and Tax Powers Act 2014 (RSTPA). As of 24 April 2017, appeals in relation to the devolved taxes can be taken to the Tax Chamber of the First-Tier Tribunal for Scotland, the Upper Tribunal for Scotland.

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

During year 2016-17 Revenue Scotland received notice of nine appeals to the First-Tier Tax Tribunal for Scotland. The Tribunal provided decisions in two of those cases. Four of the cases were resolved extra-judicially and were consequently withdrawn. Decisions are awaited in three cases.

More information about the Tribunals and the decisions taken can be found at: www.taxchamber.scot

Stakeholder engagement

During 2016-17 the Revenue Scotland Board approved the Communications and Stakeholder Engagement Plan for 2016-2018. The document set out strategic communications priorities for the reporting period and beyond to raise awareness and understanding of the organisation, its role and remit.

Priorities for the reporting period included building on the digital first approach for tax returns to increase the number of online returns through SETS, developing new stakeholder relationships, particularly with the Scottish Parliament and MSPs, and the development of a Board outreach and engagement programme.

Parliamentary engagement was strengthened during the reporting period through increased activity focused on the Finance and Constitution Committee. Senior staff gave evidence to the committee on two separate occasions – for the LBTT inquiry and for Stage 1 of the Air Departure Tax (Scotland) 2016 Bill. Written evidence was also submitted ahead of both appearances and to its Inquiry into the Scottish approach to Taxation. The Chief Executive was also invited to join the Budget Review Group formed to carry out a fundamental review of the Scottish Parliament's budget process following the devolution of further powers in the Scotland Act 2012 and Scotland Act 2016. The Group published its report in June 2017.

The Revenue Scotland Board met with Board members from Registers of Scotland and the Scottish Environment Protection Agency as part of its evolving outreach programme and this will be further developed during 2017-18.

Listening to the views of stakeholders

Since it was established, Revenue Scotland has placed effective stakeholder engagement at the very centre of its work, using various approaches to ensure taxpayers are kept informed and updated.

Technical tax forums are normally held every six months, bringing key stakeholders together for an event which is designed not only for Revenue Scotland to provide the latest tax updates but also to give agents and/or taxpayers an opportunity to discuss, debate and share views on common areas and issues.



These forums bring together almost 100 different organisations and individuals ranging from taxpayers and tax membership bodies to solicitors and accountants.

Recent LBTT forums have covered topics including Partial Charities Relief and Pension Fund *In Specie Transfers*. Following this, a new LBTT technical tax bulletin was developed and published for the first time, providing stakeholders with a detailed update on additions to Revenue Scotland's LBTT guidance. In parallel with the publication, the Revenue Scotland website guidance was also updated.

Changes in Tax

Land and Buildings Transaction Tax: Additional Dwelling Supplement

Revenue Scotland has collected and managed LBTT Additional Dwelling Supplement (ADS) since it was introduced on 1 April 2016. This was a significant change approved by Parliament in March 2016 and, as shown in the case study below, required Revenue Scotland to work expeditiously with stakeholders to implement effectively the required change by 1 April 2016.

Case study: Effective consultation to raise LBTT Additional Dwelling Supplement awareness and understanding

On 16 December 2015, the Cabinet Secretary for Finance announced in the Scottish Parliament that a supplementary tax – the Additional Dwelling Supplement (ADS) - would be introduced on the purchase of additional residential properties in Scotland with effect from 1 April 2016.

The draft Bill was published at the end of January 2016, giving Revenue Scotland a narrow timeframe to put in place new ADS guidance for taxpayers and agents, new operational processes and policies and to update the SETS system to accommodate the new tax.

Revenue Scotland involved stakeholders in user testing of the ICT system and in reviewing draft guidance. Roadshows and Webinars were made available to inform stakeholders about the new tax.

In the early part of the 2016-17 reporting period, the Revenue Scotland support desk received a high number of ADS-related telephone queries and enquiries were also submitted through the organisation's website. These reduced during the first quarter of the reporting period as a result of proactive awareness-raising activity.

The 2016-17 devolved tax accounts include £107m of ADS tax declared on 20,800 returns and nearly 2,000 repayment claims totalling £14m.

Scottish Landfill Tax: Qualifying Material Order 2016

Scottish Ministers took the decision to implement a statutory requirement for loss on ignition testing for qualifying waste fines. This new testing regime came into force on 1 October 2016 as part of the new Qualifying Material Order 2016. The legislation requires that fines produced as part of a waste treatment process may not be treated as qualifying material, unless they have been subjected to a test in which the material is heated to a temperature of 440°C for a minimum of 5 hours and where the loss on ignition percentage threshold does not exceed more than 10%.

Throughout 2016, Revenue Scotland worked collaboratively with stakeholders to develop operational tax guidance that would allow taxpayers to implement the new statutory requirements. This guidance includes a prescriptive testing methodology, a frequency of testing requirement and documents to aid taxpayers in identifying when waste fines qualify for the lower rate of tax. This new guidance was well received by taxpayers, who commended Revenue Scotland's stakeholder engagement throughout the policy development process, commenting that this allowed them to be sighted on the changes sufficiently in advance of the legislation coming into effect, enabling them to prepare for the changes.

Introduction of Air Departure Tax

The Scottish Government introduced the Air Departure Tax (Scotland) Bill to the Scottish Parliament in December 2016. This was in line with the agreement between the UK and Scottish governments, as set out in the Fiscal Framework, for future tax collection powers to be devolved to Scotland as set out in the Scotland Act 2016. The Bill received Royal Assent on 25 July 2017 and the Scottish Government is currently preparing secondary legislation which seeks to ensure that the tax will replace UK Air Passenger Duty from 1 April 2018.

Section 1 of the Act states that Revenue Scotland will be responsible for the collection and management of Air Departure Tax (ADT) when it is introduced. During the reporting year, Revenue Scotland established a programme to design and implement the new systems and processes required to collect and manage ADT when it is introduced. A business case for the work was approved by the Revenue Scotland Board and Scottish Ministers in September 2016 and the team has built on best practice principles and experience of delivering change over the previous two years. The business case was informed through engagement with aircraft operators and the programme team has continued to engage with operators, airports and stakeholder groups to ensure the approach to collecting and managing the tax is as convenient and efficient as possible for taxpayers.

Revenue Scotland has supported the work of the Scottish Government in bringing the required legislation for scrutiny by the Scottish Parliament, working closely with officials to provide input from an operational perspective, and providing assistance from tax specialist staff to develop the legislation.

In February 2017, the Chief Executive and ADT Programme Manager appeared before the Scottish Parliament's Finance and Constitution Committee to give evidence during the Bill scrutiny process and the programme remains on schedule to deliver the replacement tax in April 2018.

Other tax changes

The Scottish tax system does not currently have an annual change process comparable to the UK Finance Bill. Minor changes to legislative references and terminology have been made throughout the SLfT guidance following The Scottish Landfill Tax (Administration) Amendment Regulations 2017, which came into force on 29 May 2017. This instrument amended the Scottish Landfill Tax (Administration) Regulations 2015, to align references and provisions in the landfill tax regulations with other UK and Scottish legislation. Taking effect from 1 April 2017, the Scottish Landfill Tax (Standard Rate and Lower Rate) Order 2017 revised the standard rate and lower rate of SLfT applicable. Prior to the new rates coming into force, a mailshot was sent to taxpayers and a tax update was published on the Revenue Scotland website to highlight the changes. Following the increase in SLfT rates, references to the rates were amended to reflect the new amounts throughout the guidance.

Scottish Landfill Communities Fund

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

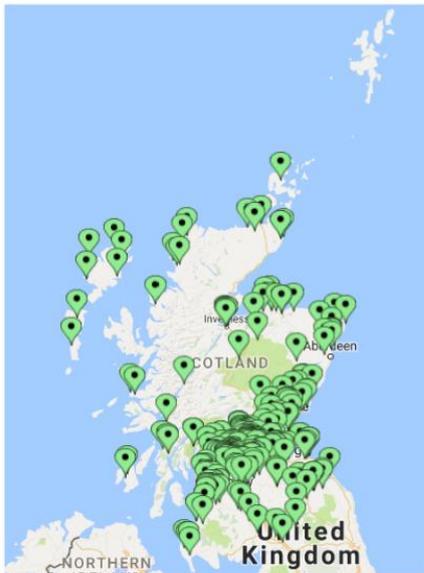
Revenue Scotland approves SEPA to carry out the regulatory functions of the SLCF by virtue of Regulation 32 (1) (a) of the Scottish Landfill Tax (Administration) Regulations 2015. This function is set out in Regulation 31 of the Scottish Landfill Tax (Administration) Regulations 2015.

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

In 2016-17, Approved Bodies received £10 million of funds (2015-2016: £8m) from landfill operators which they will distribute to environmental and community projects. Projects which received funds in 2016-17 are dispersed across Scotland and a range of types as shown below:³

³ Scottish Environment Protection Agency: Scottish Landfill Communities Fund Report 2016-17

Distribution of funded projects



Most projects funded this year were for public amenity. Projects ranged from the restoration of public halls to the creation of play parks. The second most funded project type was religious / historic sites. These included restoration works to churches, harbours and a waterwheel. Biodiversity projects will protect a number of native species and habitats. 5 recycling / reuse projects were funded this year. These were for furniture and bike recycling centres and community recycling bins. No projects were registered this year for financial services.



Funded projects by type



Key issues and risks

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

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

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

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

The Corporate Risk Register highlights 10 key risks for the organisation covering a range of issues including:

- workforce;
- effectiveness of legislation;
- ICT infrastructure;
- funding and effective working with delivery partners.

During the 2016-17 period, the Board and Senior Leadership Team had a particular focus on the following specific risks: people capacity & capability; corporate governance & internal controls; and management of key delivery partners.

The Board also assessed the extent to which risk management processes were embedding themselves into the organisation in terms of the Risk Maturity model contained in the framework. The exercise found that the organisation was “defined⁴” and that the next phase in its development would be to continue to focus on making the framework an integral part of the organisation.

Staff relations, equality and diversity

The organisation has 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 remuneration, workforce planning, resourcing and recruitment strategy, staff development and performance, and the welfare of staff, including equality and diversity.

During 2016-17 the Staffing and Equalities Committee oversaw the restructuring of the organisation and ensured that the Revenue Scotland Board was informed and appraised throughout the process.

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

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

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

⁴ Appendix 5 of [Revenue Scotland Risk Management Framework](#)

Environmental

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

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

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

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

Revenue Scotland contributes to the Scottish Public Sector Bodies Climate Change report annually and the results of this for 2016-17 will be available from the Sustainable Scotland Network in early 2018.

Performance Summary

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

Table 2 Key Performance Indicators 2016-17 and 2015-16

KPI Ref	Description	2016-17	2015-16
1	Proportion of tax returns submitted online	98.8%	98.1%
2	Tax payments - on time	93.1%	92.6%
	- within 3 months	99.6%	
	- within 1 year	99.9%	
3	Helpdesk - average call waiting time	6.2 seconds	10.2 seconds
4	Written communication - response within 10 days	97.9%	95.6%
5	Number of complaints	4	10
6	Number of security breaches	0	0
7	Direct compliance yield	£1,949,000	£589,000
8	Returns without intervention	99.0%	99.2%
9	Positive guidance feedback	Qualitative data only	
10	Running costs	0.7%	0.9%
11	Average duration of enquiries (days)	64	83
12	Tax liabilities	£1,500,000	£231,000
13	Disputes - completed	126	8
	- average days to resolution	52	5
	- open disputes at 31 March	13	5
14	Compliance feedback - calls received	7,926	7,929
	- website visitors	560,000	280,000
15	Employee engagement	55.0%	60.0%
16	Sickness - average working days lost (see Remuneration & staff report)	9.4 days	6.4 days

Table 3: Revenue Scotland Financial Performance 2016-17

	Actual Total £'000	Budget Act Estimates Total £'000
Financial Year 2016-17 Expenditure	4,532	5,221
Financial Year 2015-16 Expenditure	4,677	4,819

Table 4: Devolved Taxes 2016-17

Revenue net of repayments, excluding interest payable and revenue losses	2016-17 Tax, penalties & interest receivable Total £'000	2016-17 Budget Act Estimates Total £'000	2015-16 Tax, penalties & interest receivable Total £'000
Land & Buildings Transaction Tax	483,598	538,000	424,874
Scottish Landfill Tax	149,098	133,000	147,045
Penalties & interest	342	0	311
TOTAL	633,038	671,000	572,230

In this our second year of existence and against the background of increasing activity, we are pleased to report improved performance against the majority of key activity and performance measures. Where this is not the case, action is underway to address this.

As part of the work to develop our new corporate plan for 2018/19-2020/21, we are looking to review our KPIs and develop targets against which we can measure our performance as an organisation. The new Corporate Plan will be agreed with Scottish Ministers.

Performance Analysis

This section of the Annual Report and Accounts provides more detailed information on the performance of Revenue Scotland in 2016-17.

The Revenue Scotland Corporate Plan, which was agreed with Scottish Ministers in 2015, identifies key activity and performance indicators (KPIs) to which our success is measured throughout the year. This information is summarised below .

1. Proportion of tax returns filed online

	Total Number of Returns	Total Number of Returns Submitted Online	2016-17 Percentage of Returns Submitted Online	2015-16 Percentage of Returns Submitted Online
Quarter 1	28,110	27,714	98.6%	97.5%
Quarter 2	30,309	29,956	98.8%	97.9%
Quarter 3	31,066	30,724	98.9%	98.2%
Quarter 4	23,744	23,487	98.9%	98.6%
Total	113,229	111,881	98.8%	98.1%

When Revenue Scotland was established, it was anticipated that 90% of returns would be submitted online using SETS. However, the accessibility and user-friendly design has led to increased confidence amongst agents and taxpayers in using the online system and an associated rise in online returns. The percentage of returns submitted online in 2016-17 was 98.8% compared to 98.1% in 2015-16.

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	2016-17 Percentage of Payments Made On Time	2015-16 Percentage of Payments Made On Time
Quarter 1	14,852	13,849	93.2%	93.5%
Quarter 2	17,901	16,575	92.6%	91.7%
Quarter 3	18,435	17,118	92.9%	92.6%
Quarter 4	13,630	12,795	93.9%	93.0%
Total	64,818	60,337	93.1%	92.6%

The above table shows payments made within allowable terms. Where payments are not received on time, Revenue Scotland staff make every effort to contact agents and taxpayers to expedite settlement. Where necessary, Revenue Scotland will take more formal action to

recover the outstanding debt. Penalties and interest charges are applied in accordance with legislation where payments are not received on time.

The proportion of all payments received within three months was 99.6% (all returns to end December 2016) and the proportion of all payments within one year (all returns to end March 2016) was 99.9%

At the end of the financial year, 99.7% of tax due on all tax returns submitted during the year had been paid either within the financial year or within five days of the year end.

3. Call waiting times

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

	Calls Received	Mean Waiting Time (seconds)	Median Waiting Time (seconds)	Maximum Waiting Time (seconds)
Quarter 1	2,167	6.7	5.0	367.0
Quarter 2	2,096	5.5	5.0	369.0
Quarter 3	1,830	5.7	5.0	264.0
Quarter 4	1,833	6.9	5.0	425.0
2016-17 Total	7,926	6.2	5.0	425.0
2015-16 Total	7,929	10.2	6.0	749.0

The number of calls fell in the second and third quarters compared to the first two quarters. This reflected a high level of calls early in the reporting period as taxpayers and agents sought to familiarise themselves with ADS.

Mean call waiting time dropped overall in 2016-17 compared to 2015-16.

4. Response time for correspondence

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

	Taxpayer Initiated Communication	Responses by 10 Days	Responses by 11-25 days	Responses over 25 days
Quarter 1	853	99.1%	0.7%	0.2%
Quarter 2	846	97.2%	1.9%	0.9%
Quarter 3	656	98.6%	0.4%	1.0%
Quarter 4	665	96.8%	3.2%	0.0%
2016-17 Total	3,020	97.9%	1.5%	0.6%
2015-16 Total	1,931	95.6%	3.7%	0.7%

Over the course of the year, Revenue Scotland answered 97.9% of all written communications within 10 working days.

5. Number of complaints

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

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

	Number of Complaints	
	2016-17	2015-16
Quarter 1	1	2
Quarter 2	1	2
Quarter 3	1	1
Quarter 4	1	5
Total	4	10

During 2016/17 Revenue Scotland saw a reduction in complaints received on the previous year. Of the four received, three were outwith the organisation's control and were resolved at stage 1. These related to:

- a procedural failure by the applicant's agent,

- IT problems using SETS due to local email systems,
- concerns about legislation.

One other complaint, regarding possible procedural failures, progressed to stage 2 and, following a thorough investigation, a definitive response was issued. Independently of the complaint, improvements were made to the quality of mailbox responses and supporting assurance processes which addressed the issue raised.

No complaints were escalated to the Scottish Public Service Ombudsman in 2016-17.

6. Number of data security breaches

No security breaches were reported in the 2016-2017 reporting period.

7. Direct Compliance Yield

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

In 2016-17, direct compliance activity accounted for £1,529,000 of additional tax (2015-16: £531,000) and £420,000 of penalties and interest (2015-16: £58,000).

8. Proportion of tax returns requiring no Revenue Scotland intervention

A high proportion of tax returns being accepted as right first time will indicate that taxpayers are clear about the amount of tax that they ought to pay. The figures shown for 2016-17 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	2016-17 Percentage of returns without intervention	2015-16 Percentage of returns without intervention
Total number of returns	113,229	112,124	99.0%	99.2%

9. Stakeholder feedback on guidance

Guidance forms a critical part of Revenue Scotland’s engagement with stakeholders and the organisation places a high priority on the quality and continuous development of this documentation.

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

During the reporting period, updates to guidance were highlighted to stakeholders through email and, for the first time, through a technical tax bulletin issued to customers. Feedback about the bulletin was positive and it is intended that similar documents will be produced on a regular basis to support business needs.

10. 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.

	2016-17	2015-16
	£000	£000
Net expenditure incurred	4,532	4,677
Scottish Consolidated Fund payments	636,239	509,719
Scottish Landfill Communities Fund contributions	9,889	7,958
Total	646,128	517,677
Percentage	0.70%	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. The latest publication provides data from 2013 which ranges from 0.29 in Switzerland to 1.74 in Japan. Although not strictly comparable due to the scale of 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%).

11. Average duration of enquiries

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

	2016-17	2015-16
Mean (days)	64	83
Median (days)	39	92
Maximum (days)	360	115
Number of enquiries closed during the year	52	3
Number of enquiries open at 31 March 2017	42	26

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

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

In 2016-17, £1,500,000 (2015-16: £231,000) was charged as a result of compliance interventions.

13. Number of disputes and time to resolution

Where a taxpayer disagrees with a decision made by Revenue Scotland and contests it, 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.

	2016-17	2015-16
Number of disputes initiated	134	13
Average time to resolution (days)	52	5
Number of open disputes at 31 March	13	5

The increase in average time to resolution in 2016-17 reflects a fuller complement of case work and the fact that some cases have gone to tribunal in the year. As reported earlier, Revenue Scotland received notice of nine appeals to the First-Tier Tax Tribunal in 2016-17, with decisions provided in two of those cases. A further four cases were resolved extra-judicially and were consequently withdrawn. As of the end of March 2017, decisions are awaited in three cases. One appeal notice which had been received in 2015-16, was also withdrawn in 2016-17.

Revenue Scotland also received two requests for mediation in 2015-16 but these did not proceed. No such requests were received in 2016-17.

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

The Revenue Scotland Charter of Standards and Values sets out the minimum level of service stakeholders can expect from the organisation.

During the second operating year, Revenue Scotland received and answered almost 8,000 calls and the website was visited on more than 560,000 separate occasions, indicating that the organisation's communication channels were frequently used, particularly the website.

15. Employee engagement

Revenue Scotland staff participated in the UK Civil Service People Survey published in November 2016. The survey received a 100% response rate which is a significant achievement. The results showed the organisation had an overall engagement index of 55%, a drop of 5% from the previous year's score.

The survey results reflected the need for strong and consistent leadership and a better understanding of job roles and business needs. It also called for an improved organisational structure, clear career paths and learning and development opportunities to be better articulated. Over the course of the year a range of actions have been taken to respond to the evolving business and staff including the development and implementation of a three year People Strategy. Work is underway with the leadership group to strengthen the leadership capability. The Staffing & Equalities Committee has oversight of the strategy and early indications are that the new structure has improved clarity of job role and functions. The activities undertaken will have a positive impact on engagement in 2017.

16. Sickness – average working days lost

This indicator measures the average working days lost per employee. This has increased by 3 days in 2016-17. This is due to the extended absence by a small number of staff. While we expect performance against this indicator to improve in 2017-18, the underlying causes are being kept under review and appropriate action taken. Further information on sickness absence is given within the Staff Report on page 49

Financial Performance

Resource Accounts

	Actual	Budget Act
	Total	Estimates
	£'000	Total
		£'000
Financial Year 2016-17 Expenditure	4,532	5,221
Financial Year 2015-16 Expenditure	4,677	4,819

Within the Budget Act 2016-17, Revenue Scotland was allocated a budget of £5.2 million. The increase on the 2015-16 budget reflects the additional work to plan, develop and implement the systems required for ADT and a growth in compliance activity to support both LBTT and SLfT.

Revenue Scotland has managed expenditure carefully and has remained within the 2016-17 allocated budget. An underspend of £689,000 has arisen from a number of areas which include costs recharged by our partners, RoS and SEPA being significantly below planned costs; the expertise of our in-house legal team in managing complex legal queries and tribunal appeals resulting in limited requirement for external advice; and a postponement to the project to redevelop our website which will now take place in 2017-18. It is also the case that the process of implementing the new organisational structure took longer than anticipated which contributed to the in-year underspend.

In addition to the resource expenditure, Revenue Scotland incurred expenditure on non-current assets of £76,000 for refurbishment of its office space.

Devolved Taxes

Revenue net of repayments, excluding interest payable and revenue losses	2016-17 Tax, penalties & interest receivable	2016-17 Budget Act estimates	2015-16 Tax, penalties & interest receivable
	Total	Total	Total
	£'000	£'000	£'000
Land & Buildings Transaction Tax	483,598	538,000	424,874
Scottish Landfill Tax	149,098	133,000	147,045
Penalties & interest	342	0	311
Total	633,038	671,000	572,230

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

The LBTT tax revenue raised in 2016-17 is dependent on performance of both the residential and non-residential property markets within Scotland. The SLfT tax revenue raised in 2016-17 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 were responsible for preparing revenue forecasts for the devolved taxes in 2016-17 and the Scottish Fiscal Commission is responsible for providing independent forecasts of tax revenue from 1 April 2017.

The Scottish Government published a Devolved Taxes Forecasting Methodology paper in December 2015, explaining the basis of the forecasts underpinning the 2016-17 Budget (<http://www.gov.scot/Publications/2015/12/7589>). The Scottish Ministers forecast revenues of £671 million in 2016-17.

Further information on the collection of the devolved taxes is given in the Devolved Taxes Account for 2016-17 which is published separately.

Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer

13 September 2017

Accountability Report

Corporate Governance Report

The Directors' Report

Revenue Scotland Board 2016-17

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 2016-17 the Board met on seven occasions (2015-16: eight).

Board Members 2016-17

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. Previous roles include Director of Corporate Programmes and Performance at Audit Scotland and Chair of CIPFA Scotland.

Jane Ryder OBE – Chair of the Staffing & Equalities Committee

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

Ian Tait – Member of Audit & Risk Committee

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

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

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

Board Members' Interests

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

Senior Leadership Team 2016-17

Elaine Lorimer - Chief Executive

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

Stephen Crilly – Head of Legal Services

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

Andrew Fleming – Head of Strategy and Corporate Functions

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

Chris Myerscough – Head of Tax

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

Susan MacInnes – Head of Corporate Services and Finance

Susan led the Corporate Services Team as a member of the Senior Leadership Team until August 2016. She is a lawyer by profession and practised as a property lawyer for over 20 years. She left Revenue Scotland in December 2016.

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; and

- prepare the accounts on a going concern basis.

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

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

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

The Accountable Officer may consult with the Scottish Government's 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.

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

Governance Statement

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

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

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

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

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

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

In the course of the year, I can report that the Board made a number of significant decisions on LBTT and SLfT, in line with the Scheme of Internal Delegation, based on information presented to it by the Senior Leadership Team. In addition to this, the Board has overseen improvements in core governance framework, covering business planning, risk management, improvements to delivery structure and key delivery partnerships such as with SEPA and RoS. The Board has also taken forward work to enhance its strategic relationships with the Scottish Parliament, Scottish Ministers and the Scottish Fiscal Commission. Further it has also overseen recent and proposed changes to the work of Revenue Scotland, including the recent changes to LBTT brought about by the introduction of the Additional Dwelling Supplement, and the approval of a business case setting out how Revenue Scotland would take on the administration and collection of Air Departure Tax. The business case was presented to Scottish Ministers and received their approval.

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

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

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

Audit and Risk Committee

The Board established an Audit and Risk Committee in March 2015 with a purpose to support the Board and Accountable Officer by reviewing the comprehensiveness, reliability and integrity of the assurances produced in support of financial reports. 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;
- considering and monitoring of responses to recommendations from internal & external auditors and other bodies;
- 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.

In the course of the year, the Audit and Risk Committee oversaw the review of the Corporate Risk Register. Working within the context of the current risk management framework, this work was focused on our statutory obligations and on-going delivery of our Corporate Plan objectives. The output of this process, which was reviewed and approved by the Board, resulted in the rationalisation of key risks from 23 risks to 10.

The current risk register includes identified high-level risks relating to the impact of legislative changes on our resources, organisational culture and capacity, ICT infrastructure, business continuity & disaster recovery capability, stakeholder engagement and governance & internal controls.

Within the year 2016-17, significant work focused on:

- addressing people capacity and capability issues with considerable activity focused on recruitment of staff and development and retention of a knowledgeable and skilled workforce who are engaged and motivated to deliver the functions of Revenue Scotland to the highest standards of professionalism and integrity. A key output of this work has been the development of an organisational wide People Strategy. Linked to this has been the promotion of a positive organisational culture to create a supportive and positive working environment;
- improving the structure and management of ICT infrastructure with work focused on maintaining and developing our overall resilience and security;
- improving business continuity controls in respect of the Scottish Electronic Tax System (SETS) through the establishment of a verified ESCROW arrangement which will permit the independent rebuilding of the system in the event of failure or the supplier going out of business;
- improving Corporate Governance and internal controls by ensuring that key governance and internal control processes were in place and being implemented

effectively to deliver compliance with our legal duties and the expectations of a public body; and

- finally, enhancing our management of key delivery partners to ensure that they, SEPA, RoS and Scottish Government, undertake work effectively fully cognisant of our statutory duties

The terms of reference for the committee are published on Revenue Scotland's website (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 Strategy & Corporate Functions, the Head of Tax, representatives of internal and external audit as well as other staff members as required.

The committee met five times in 2016-17 (2015-16: four).

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

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

Staffing and Equalities Committee

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

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).

The committee met twice during 2016-17 (2015-16: twice) providing the Chief Executive with challenge and support through the process of restructuring, the response to the People Survey and subsequent development of the People Strategy. The Committee approved a programme of staff engagement work to support development of the response to the staff survey. This included a discovery phase to build greater understanding about People Survey findings followed by an all staff event in January to identify and agree the response needed. The outcome of this work has informed development of the comprehensive People Strategy, tailored to Revenue Scotland requirements and a detailed workplan to implement the Strategy. The committee assisted with planning for our annual Staff Conference to launch the strategy, as well as a follow-up Pulse Survey to measure progress on People Survey scores. The Committee also oversaw development of our

strategic approach to recruitment and workforce planning, a critical element of the People strategy, with key vacancies filled over the period.

Report on personal data incidents

In line with the HM Government Security Framework requirements for appropriate security governance structure, Revenue Scotland has both a Senior Information Risk Owner (SIRO) and an Information Asset Owner (IAO), held by the Head of Strategy & Corporate Functions.

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

The IAO role is to understand what information is held by Revenue Scotland, what is added and what is removed 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 Data Protection Act 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.

Internal Audit

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

During the year SGIAD reviewed:

- budgetary management;
- business continuity planning;
- tax compliance.

Reports received in relation to these, and their overall Annual Report for the year, rated assurance as reasonable, the second highest possible rating. This means that there were some weaknesses in risk, governance and/or control procedures but not of a significant nature.

They additionally carried out follow-up reviews on audits performed in 2015-16 and reported improvements in controls in:

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

External Audit

External Audit is provided by Audit Scotland. Mark Taylor is appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of Revenue Scotland. During the year, the Audit & 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. They reviewed and tested a range of key controls covering the main financial systems and followed up on matters raised in its 2015-16 Interim Audit Report. Audit Scotland identified good progress had been made across a range of the matters raised. No significant control weaknesses were identified on the key financial systems. A limited number of matters were identified and an action plan was agreed.

There were no significant internal control or risk management breaches during 2016-17.

External scrutiny

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

During the reporting period, I gave evidence to the Finance and Constitution Committee's LBTT inquiry in October 2016 with the Head of Tax. I also appeared before the committee in February 2017 with the ADT Programme Manager to give evidence during the Stage 1 scrutiny of the Air Departure Tax (Scotland) Bill.

Revenue Scotland's corporate plan, supporting legislation and this annual report are published documents. The corporate plan 2015-18 was approved by Scottish Ministers and laid before the Scottish Parliament. Work will begin during the 2017-18 reporting period to develop a new corporate plan for 2018-21.

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

Assurances provided to the Chief Executive

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

Additionally I have received assurance from the Scottish Government's Acting Director General Finance in respect of the financial systems shared with Revenue Scotland and from the Scottish Government's People Director in respect of the human resources and payroll systems shared with Revenue Scotland.

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

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) 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;
- the Government's inflation target;
- evidence they receive about wider economic considerations and the affordability of their recommendations.

Further information about the work of the SSRB can be found at www.ome.uk.com.

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

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

Non-executive Board		2016-17 Fees £000	2015-16 Fees £000
Dr Keith Nicholson	Chair	15-20	20-25
Lynn Bradley	Board member	0-5	5-10
Jane Ryder, OBE	Board member	5-10	5-10
Ian Tait	Board member	0-5	5-10
John Whiting, CBE	Board member	5-10	5-10

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

Senior Leadership Team		Salary £000		Pension Benefits to the nearest £1000		Total 2016-17 £000	Total 2015-16 £000
		2016-17	2015-16	2016-17	2015-16		
Elaine Lorimer (1)	Chief Executive	90-95	0-5 (90-95 full year equivalent)	54,000	0	145-150	0-5
Eleanor Emberson (2)	Chief Executive	-	90-95	0	43,000	0	135-140
Stephen Crilly	Head of Legal Services	65-70	60-65	33,000	42,000	95-100	105-110
Andrew Fleming (3)	Head of Strategy & Corporate Functions	65-70	25-30 (65-70 full year equivalent)	33,000	7,000	100-105	35-40
Susan MacInnes (4)	Head of Corporate Services & Finance	20-25 (55-60 full year equivalent)	55-60	6,000	18,000	30-35	75-80
Chris Myerscough (5)	Head of Tax	65-70	15-20 (60-65 full year equivalent)	35,000	5,000	100-105	15-20
Robert Buchan(6)	Senior Principal Tax Specialist	0	30-35	0	27,000	0	55-60
Donald Carvel (7)	Head of Tax Policy	0	65-70	0	21,000	0	85-90
Colin McHardy(8)	Head of Tax Operations	0	65-70	0	0	0	65-70
						2016-17	2015-16
Band of highest paid manager's total remuneration £000						90-95	90-95
Median total remuneration £						30,688	30,851
Ratio						3.1	3.0

- (1) Elaine Lorimer joined Revenue Scotland as Chief Executive on 14 March 2016.
- (2) Eleanor Emberson was Chief Executive of Revenue Scotland until 13 March 2016.
- (3) Andrew Fleming joined the Senior Leadership Team on 1 November 2015.
- (4) Susan MacInnes ceased to be a member of the senior Leadership Team on 31 August 2016.
- (5) Chris Myerscough joined the Senior Leadership Team on 1 January 2016.
- (6) Robert Buchan was a member of the Senior Leadership Team between 1 June 2015 and 31 December 2015.
- (7) Donald Carvel ceased to be a member of the Senior Leadership Team on 31 March 2016.

- (8) Colin McHardy ceased to be a member of the Senior Leadership Team on 31 March 2016, He chose not to be covered by the Civil Service pension arrangements during the 2015-16 reporting year.

None of the above received any benefits in kind or bonus payments in the year 2016-17 or 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 2016-17, no member of staff received remuneration in excess of the highest-paid member of the Senior Leadership Team. Remuneration ranged from £1,000 to £94,148 (2015-16: £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.

Pension Benefits

Senior Management Team	Accrued pension at NRA as at 31 March 2017 and related lump sum	Real increase in pension and related lump sum at NRA	CETV as at 31 March 2017	CETV as at 31 March 2016	Real increase in CETV in 2016-17
	£000	£000	£000	£000	£000
Elaine Lorimer - Chief Executive	30-35 plus lump sum of 80-85	2.5-5 plus a lump sum of 0-2.5	521	468	29
Eleanor Emberson - Chief Executive (1)	0	0	0	461	0
Stephen Crilly - Head of Legal Services	15-20	0-2.5	218	191	11
Andrew Fleming - Head of Strategy & Corporate Functions	20-25 plus a lump sum of 70-75	0-2.5 plus a lump sum of 0-2.5	467	428	19
Susan MacInnes - Head of Corporate Services (2)	10-15	0-2.5	209	201	6
Chris Myerscough - Operations Director	25-30 plus a lump sum of 25-30	0-2.5 plus a lump sum of 0-2.5	498	441	32
Robert Buchan - Senior Principal Tax Specialist (3)	0	0	0	120	0
Donald Carvel - Head of Tax Policy (4)	0	0	0	605	0

- (1) Eleanor Emberson was Chief Executive of Revenue Scotland until 13 March 2016.
- (2) Susan MacInnes ceased to be a member of the senior Leadership Team on 31 August 2016 and left the employment of Revenue Scotland in December 2016.
- (3) Robert Buchan was a member of the Senior Leadership Team between 1 June 2015 and 31 December 2015.
- (4) Donald Carvel ceased to be a member of the Senior Leadership Team on 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.

Civil Service Pensions

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

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

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real increase in CETV

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

Civil Service early departure compensation schemes

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

In December 2016 3 members of staff left voluntarily following a restructuring within Revenue Scotland. The costs associated with their early departure packages are detailed below.

Exit Packages Cost Band	Nos of departures agreed 2016-17	Cost of packages 2016-17 £000	Nos of departures agreed 2015-16	Cost of packages 2015-16 £000
£50,000 - £100,000	1	61	0	0
£100,000 - £150,000	2	234	0	0
Total number/cost of early departure packages	3	295	0	0

Staff report

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

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

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	2016-17	2015-16
Permanent contracted staff	44	1	45	46
Fixed term contracted staff	1	0	1	1
Seconded staff	0	0	0	1
Agency staff	3	1	4	5
Average number of persons employed	48	2	50	53

Staff numbers have been allocated as follows:

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

Staff Composition

The average number of persons of each sex employed by Revenue Scotland by category in 2016-17 is set out in the following table. The numbers include permanent and temporary staff.

	Male	Female
*SLT - Senior Civil Servant	0	1
*SLT - other	2	1
Employees	24	22
Total	26	24

*SLT – Senior Leadership 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 2016-17 an average of 9.4 working days per employee were lost (2015-16: 6.4 days). The increase relates to a small number of staff off on long term sick leave. Further information on this is given in KPI 16 on page 30 .

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 £000	2016-17 Total £000	2015-16 Total £000
	Permanently employed staff £000	Others £000			
Wages and Salaries	1,757	0	83	1,840	1,857
Social Security costs	190	0	9	199	157
Pension costs	361	0	18	379	352
Seconded staff	0	0	0	0	97
Agency staff costs	0	312	29	341	425
Total staff costs	2,308	312	139	2,759	2,888

Staff costs for Revenue Scotland in the period 2016-17 are set out as above. Wages and salaries include gross salaries, performance pay or bonuses received in year, overtime and

any other allowance that is subject to UK taxation. The payment of legitimate expenses is not part of salary.

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.civilservicepensionscheme.org.uk).

For 2016-17, Revenue Scotland's contributions of £379,000 (2015-16: £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 2016-17 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 £Nil (2015-16: £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.

The information included within the remuneration, pension benefits, Civil Service early departure compensation packages, average number of persons employed and staff costs sections above are covered by the audit opinion.

Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer
13 September 2017

Independent Auditor's Report

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

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and financial statements (Resource Accounts) for the year ended 31 March 2017 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2016/17 Government Financial Reporting Manual (the 2016/17 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2017 and of its net operating costs for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis of opinion

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

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a

true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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.

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

Other information in the annual report and accounts

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

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to 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 or inconsistencies I consider the implications for my report.

Report on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish

Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and

- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Responsibilities for regularity

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

Report on other requirements

Opinions on other prescribed matters

I am required by the Auditor General for Scotland to express an opinion on the following matters.

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

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

September 2017

Financial Statements 2016-17

Statement of Comprehensive Net Expenditure

For the Year Ended 31 March 2017

	Note	Administration Costs £000	Programme Costs £000	2016-17 Total £000	2015-16 Total £000
Staff costs	Page 49	2,620	139	2,759	2,888
Compensation on early retirement	Page 47	295	0	295	0
Purchase of goods and services	2	1,466	11	1,477	1,789
Depreciation	4	1	0	1	0
Net operating costs for the year		4,382	150	4,532	4,677

Statement of Financial Position

as at 31 March 2017

	Note	2016-17 £000	2015-16 £000
Non-current assets	4	75	0
Current assets			
Other receivables	5	192	149
Total current assets		192	149
Current liabilities			
Trade & other payables	6	(300)	(525)
Total current liabilities		(300)	(525)
Total net assets		(33)	(376)
Taxpayers' equity		(33)	(376)

The notes on pages 56 to 62 form part of these financial statements.

The Chief Executive and Accountable Officer authorised these financial statements for issue on 13 September 2017

Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer

Statement of Cash Flows

For the year ended 31 March 2017

	Note	2016-17 £000	2015-16 £000
Cash flows from operating activities			
Net operating costs for the year	SoCNE	(4,532)	(4,677)
Adjustments for non cash transactions			
Audit fee	8	90	90
Depreciation	4	1	0
Movements in working capital			
(Increase) in trade and other receivables	5	(43)	(149)
(Decrease)/Increase in trade and other payables	6	(225)	525
Net cash outflow from operating activities		(4,709)	(4,211)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(76)	0
Net cash outflow from investing activities		(76)	0
Cash flows from financing activities			
		0	0
Net funding	3	4,785	4,211

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2017

	Note	General Fund Reserves £000
Balance at 31 March 2016		(376)
Net operating costs for the year	SoCNE	(4,532)
Non cash charges - auditor's remuneration	8	90
Net funding	3	4,785
Balance at 31 March 2017		(33)

The notes on pages 56 to 62 form part of these financial statements.

Notes to the Accounts

1 Statement of Accounting Policies

1.1 Basis of accounting

In line with section 12 of the Revenue Scotland and Tax Powers Act 2014, and in accordance with the accounts direction issued by the Scottish ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, these financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The particular policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

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

1.2 Accounting convention

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

1.3 New Accounting Standards

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

IFRS 9 – Financial Instruments

This standard was issued in November 2014, and is effective from 1 January 2018. The adoption of this standard could change the classification and measurement of financial assets. The interpretation for the public sector is still under consideration for subsequent inclusion in the FReM by the Financial 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.

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 developing processes and systems to comply with new legislation.

	Administration costs £000	Programme costs £000	2016-17 Total £000	2015-16 Total £000
Staff related costs				
Board fees & expenses	50	-	50	57
Travel & subsistence	25	1	26	34
Training	10	-	10	17
Recruitment	8	-	8	43
Supplies & services				
Legal	18	-	18	1
Computer & telephone	213	-	213	506
Shared services (1)	251	-	251	213
Delegated duties (2)	709	-	709	707
Other supplies & services	92	10	102	121
Audit fee - external (see note 7)	90	-	90	90
Total goods & services	1,466	11	1,477	1,789

(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

	2016-17 £000	2015-16 £000
Resource outturn	4,532	4,677
Capital outturn	76	0
Non cash charges - auditor's remuneration (note 8)	(90)	(90)
Depreciation	(1)	0
Changes in working capital	268	(376)
Net funding	4,785	4,211

4. Non-current assets

	Furniture & Fittings £000	2016-17 Total £000	2015-16 £000
Cost			
At 1 April 2016	0	0	0
Additions	76	76	0
At 31 March 2017	76	76	0
Depreciation			
At 1 April 2016	0	0	0
Charged in the year	1	1	0
At 31 March 2017	1	1	0
Asset financing			
Owned	75	75	0
Carrying amount at 31 March 2017	75	75	0

5. Other receivables

Amounts falling due within one year:	2016-17 £000	2015-16 £000
Prepaid expenses	192	149
Total receivables within one year	192	149

6. Trade & other payables

Amounts falling due within one year	2016-17 £000	2015-16 £000
Trade payables	9	61
Accrued short-term employee benefits (see note 1.9)	68	85
Other accruals	223	379
Total payables within one year	300	525

7. Related party transactions

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

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

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

8. Audit fee

The following charges have been included in the accounts:

	2016-17 £000	2015-16 £000
Auditor's fee - resource accounts	20	25
Auditor's fee - devolved taxes account	70	65
	90	90

Auditor's remuneration is disclosed as a notional charge and relates to fees notified to Revenue Scotland by Audit Scotland in respect of audit work carried out in relation to the year ended 31 March 2017. 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 2017.

9. Commitments under leases

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

	2016-17 £000	2015-16 £000
IT Systems		
Not later than one year	101	370
Between one and five years	175	327
	276	697

Amounts charged for operating leases in 2016-17 of £182,000 (2015-16: £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 (FReM) which is in force for the year for which the accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year of Revenue Scotland in the exercise of its functions
3. This direction shall be reproduced as an appendix to the accounts.

Signed by the authority of the Scottish Ministers



Dated 20 April 2016

