

RESOURCE ACCOUNTS



Revenue Scotland **Annual Report and Accounts**

for the year ended
31 March 2020



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

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Statement from the Chair

Dr Keith Nicholson

I am delighted to present Revenue Scotland's fifth Annual Report and Accounts for the Resource Accounts.



As I reflect back over the five years since Revenue Scotland was established, I am struck by the modern and dynamic tax authority the organisation has become. Reflective, flexible and willing to embrace change, while placing a high value on the experience and knowledge of its staff, learning from best practice. Over this period, Revenue Scotland has collected £3.25bn which funds vital services and contributes to the delivery of our National Outcomes. More details of the devolved taxes collected can be found on page 18, or through the Devolved Taxes Account for 2019-20.

This year has seen a greater degree of change than any we have yet encountered. A new, improved and user-focused Scottish Electronic Tax System (SETS) was launched in July 2019, and we have built on this success with a forward looking, continuous improvement approach. The new system has been introduced alongside improvements in process and efficiency. This year, the Scottish Tax Education Programme has seen new modules being designed and delivered. Together these programmes represent an organisation which is committed to continuous improvement, learning and development, which values its staff and is dedicated to meeting the needs of those who use our services.

We welcomed Jean Lindsay and Martin McEwen to the Board in July 2019, and I am grateful to them for the wide range of both public and private sector experience they have brought to the Board. I also wish to thank Steve Bruce, who completed his term at the end of March, for his contributions to the work of the Audit and Risk Committee, and to welcome Simon Cunningham who joined the Committee in November 2019.

We also developed a new set of Equality Outcomes and Action Plan for 2020-2024, which provide a framework for Revenue Scotland's commitment to the public sector equality duty. The focus is on further mainstreaming equality and the plan will be interlinked with the next Corporate Plan and People Strategy, to be developed and published in 2021.

The biggest and most rapid change we have all faced, both on a professional and personal level, came at the end of the reporting period, as we responded to the global COVID-19 pandemic, and our Business Continuity Plans were mobilised. Revenue Scotland made the transition to remote working rapidly, with minimal change to our services and with support in place for staff. This will be an ongoing issue well into 2020-21 and beyond, as we all adjust to the 'new normal', but I am confident that Revenue Scotland will continue to meet the challenges ahead.

My fellow Board members and I were delighted when Elaine was awarded the Chief Executive of the Year Award at the Scottish Women's Awards in September. We congratulate Elaine and her staff on their significant achievements in 2019-20 and their successful response to COVID-19 at the end of a busy year.

Dr Keith Nicholson,
Chair of Revenue Scotland

Performance Report 2019-20

Statement from the Chief Executive and Accountable Officer



I am pleased to report that a total combined net tax revenue for Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT) of £716m was reported in 2019-20. This revenue supports the delivery of public services across Scotland. More details on the devolved taxes can be found within the accompanying Annual Report and Accounts of the Devolved Taxes for 2019-20.

This year Revenue Scotland celebrated its fifth anniversary. In that time, we have become an organisation that embraces development and change and have firmly established our reputation for successful delivery. We have continued to develop our internal capability and strengthen our reputation as a modern tax authority.

In July 2019, we launched our new Scottish Electronic Tax System (SETS), on time and within budget, and, importantly, successfully managed the transition to the new system safely and securely. We also continued the development of our Scottish Tax Education Programme (STEP), a major initiative, which is focussed on building our capability as a tax authority with a framework of learning and development, which is designed by us, for us. In addition, we published our Compliance Strategy – a significant milestone for us – and began to look forward to the next Corporate Plan and People Strategy. Our tax work continues to grow in complexity and this year also marked some significant milestones in our compliance work including complex litigation. We are an organisation that proactively learns from our experience and focusses on continuous improvement and this ethos has been at the heart of our approach to responding to challenges as they arose in the year.

This year has seen the development of our new Equality Outcomes and Action Plan and the beginning of work to implement our

Records Management Plan. Both plans focus on embedding best practice in all areas of our work. Linked to this are the steps forward in our digital agenda, with a new staff intranet and secure digital collaboration space. This has been crucial in supporting our recent move to remote working. We have also been working on the early stages of developing a new website, which will be a major focus for the coming year.

Alongside the SETS development, we have continued to improve and enhance our processes, increasing quality and efficiency. We have seen the results of this already, for example in the improvements to our KPIs relating to correspondence, opinions and reviews (KPIs 5, 8 and 9), which I am confident will see further improvement next year. This work will continue through our Target Operating Model Project and Continuous Improvement work. Again, this is testament to ours being a learning organisation that responds to and embraces the opportunities of change and that is committed to excellence.

Our response to COVID-19 was informed by our understanding of the risks which moving to remote working would bring to our organisation and we also carried out a comprehensive review of our corporate risks this year, involving risk managers, senior leaders and the Board. The resulting revised list of corporate risks has subsequently been considered by our Audit and Risk Committee and approved by the Board.

Staff development and engagement has been a big focus this year, with the development and delivery of new STEP modules, a staff conference on the theme of equality and diversity, and a programme of development for line managers. We saw a drop in the staff engagement score (KPI 7) in the results of the 2019 Civil Service People Survey. However, this has given us an opportunity to take stock of where we are, analyse the impact of the major change programmes on staff, and involve them in determining where we go next. We held an all staff event in January to co-produce an action plan and identify priorities. We undertook an evaluation exercise on our People Strategy with both staff and the Staffing and Equality Committee of the Board. The exercise found that the People Strategy had contributed to the successful development of the organisation over its three-year period. We have extended the strategy for a further year in order to allow us to align a new strategy with the new Corporate Plan, both now due in 2021. The development of the next People Strategy is a key project for 2020-21.

Nothing has demonstrated our ability to respond to change more clearly than the way that the organisation successfully transitioned to remote working in March due to the COVID-19 national 'lockdown'. Our response was driven by three principles: the health and wellbeing of our staff; the performance of our statutory functions; and the continued delivery of excellent customer service. To move all of our functions to operating remotely in a secure way, without interrupting the ability of taxpayers to submit tax returns was a major achievement. The work of the business continuity group, which led on all that was required to enable this, was admirable, and I would like to pay tribute to them, for their team working, the support they gave each other and for the way in which they enabled well considered, rapid decision making. We will be taking forward the learning from working

remotely and the benefits of our technological investment into our ambitions for our next Corporate Plan.

As ever, it is not just what we do as an organisation that matters, but also how we do it and throughout what has been a sustained period of significant pressure and change for the staff of Revenue Scotland, what stands out is the way in which we have been able to continue to deliver and support each other. I would like to extend my thanks to all of our staff for their continued hard work and determination to deliver excellent public service.

We have also seen changes in the Senior Leadership Team this year, with Michael Paterson joining the team at the beginning of the year followed by Neil Ferguson and Mairi Gibson early in 2020. I was very pleased to welcome them to the Senior Leadership Team (SLT) and extend my thanks and best wishes for their new roles to Chris Myerscough, Stephen Crilly and Andrew Fleming who stepped down from the SLT during the year.

At the end of this year, I wish to thank my staff, our operational partners the Scottish Environment Protection Agency (SEPA) and Registers of Scotland (RoS), our stakeholders, Scottish Government Ministers and officials, Members of the Scottish Parliament, and of course, taxpayers and their agents for supporting us in delivering our objectives for this year and who have been with us on this journey of change. I am looking forward to developing the next Corporate Plan and People Strategy and moving forward, learning from our experience during 2020.

Elaine Lorimer,
Chief Executive of Revenue Scotland
and Accountable Officer

Performance Report 2019-20

Overview

This overview gives a summary of Revenue Scotland’s purpose and objectives, key risks to the delivery of those objectives, together with its budget and performance for the year. Further detail is included within the Performance Analysis section on page 19.

Introduction

The performance report includes a short performance summary and an analysis section which considers performance against each of the strategic objectives of the 2018-21 Corporate Plan.

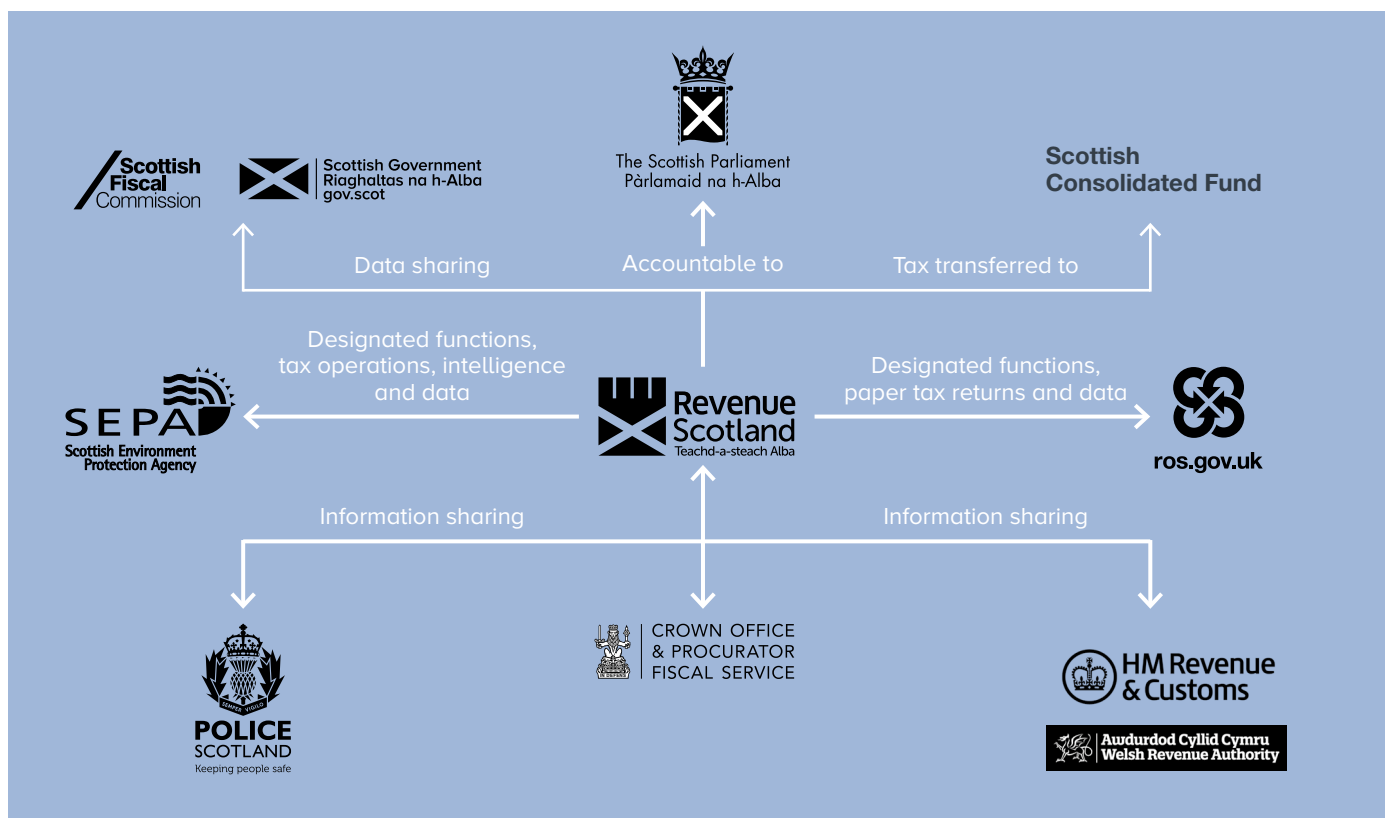
As a Non-Ministerial Office, Revenue Scotland is part of the Scottish Administration and is directly accountable to the Scottish Parliament to ensure the administration of tax is independent, fair and impartial.

Who we are and what we do

Revenue Scotland was established by the Revenue Scotland and Tax Powers Act 2014 (RSTPA) and is responsible for the collection and management of the taxes fully devolved to Scotland – currently Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT).

The [Scottish Government](#) is responsible for tax policy and the setting of tax rates. Revenue Scotland supports policy development through the provision of advice based on our operational experience. The [Scottish Fiscal Commission \(SFC\)](#) is responsible for providing independent forecasts of tax revenue in line with the Fiscal Framework. To support forecasting work, Revenue Scotland provides the SFC with SLfT and LBTT data in an anonymous, aggregated form.

Our Operating Environment



Performance Report 2019-20

Overview

Revenue Scotland delegates the delivery of specific functions for the collection of SLfT to the [Scottish Environment Protection Agency](#) (SEPA) and for the delivery of LBTT functions to [Registers of Scotland](#) (RoS) to enable the processing of paper-based tax returns. The delegation of those functions to RoS ceased on 24 July 2019. Revenue Scotland is also a partner agency along with SEPA and HMRC in the Multi Agency Tasking and Delivery Group run by Police Scotland.

We also work with the Welsh Revenue Authority and HMRC and other tax authorities on the British Isles Tax Authorities Forum for the purposes of compliance activity, and sharing knowledge and best practice in tax collection and management.

How we are governed

The Revenue Scotland Board currently comprises seven members appointed by Scottish Ministers through the Scottish Public Appointments process. The Board has responsibility for the strategic direction, oversight and governance of Revenue Scotland. Board members provide specialist knowledge in key areas and act as ambassadors for the organisation.

The Board has two committees; the Audit and Risk Committee and the Staffing and Equalities Committee, which undertake detailed scrutiny of key areas of work and report on these to the Board.

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

Further details about the activities of the Board, Committees and staff are contained in the Performance Analysis and Accountability Report sections.

How we are funded

Revenue Scotland is part of the Scottish Administration and has its own budget set out in the annual Budget Act. Where additional funding for major programmes is required (such as the replacement for the Scottish Electronic Tax System (SETS), proposals for funding are developed in line with the guidance on business cases in HM Treasury's "The Green Book: appraisal and evaluation in central government".

Revenue Scotland is responsible for managing its budget for each financial year to deliver its Statutory functions. Revenue Scotland has full authority to incur expenditure on individual items but this is subject to the limits imposed by the budget allocated by the Scottish Parliament and guidance from Scottish Ministers.

Revenue Scotland's Purpose and Vision

Revenue Scotland's 2018-21 Corporate Plan sets out the Purpose, Vision and Strategic Objectives of the organisation for this period.

The purpose of Revenue Scotland is "to efficiently and effectively collect and manage the devolved taxes which fund public services for the benefit of the people of Scotland."

Revenue Scotland's vision is "to be a recognised leader in the delivery of tax administration, and as experts in our field; adaptable to change, resilient to challenges and far reaching in our engagement."

Performance Report 2019-20

Overview

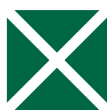
2018-21 Strategic Objectives

1. Excelling in Delivery



Establish ourselves as experts in what we do: collecting and managing the devolved taxes through an accessible, convenient and taxpayer-focused service.

2. Investing in our People



Develop and support a highly skilled and engaged workforce, upholding the standards of professionalism and integrity.

3. Reaching Out



Build on our reputation as an accessible, collaborative and transparent public body, keen to learn from others and share our experiences and expertise.

4. Looking Ahead



Plan and deliver change and improvements to our systems and processes flexibly and on time.

How we deliver our purpose and measure our success

Revenue Scotland delivers its purpose through the strategic objectives in the Corporate Plan. Each year this is delivered through an annual business plan containing Key Projects, and this is signed off by the Board. Performance is measured against the strategic objectives through the use of key performance indicators as set out in the Corporate Plan, and against the objectives of the Key Projects.

A structured approach to performance management supports how we track, measure and record progress across the organisation. The annual business plan informs individual team plans and personal work objectives. Monthly reports are produced for the Senior Leadership Team that capture the collective contributions made to our overall performance, and a quarterly report is produced for the Board. The performance reports are also considered alongside regular assessment of our finance, analysis of risk and consideration of our capacity. These all contribute to the performance record and form the basis of our analysis of performance that follows.

Performance Report 2019-20

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National Performance Framework

Scotland's National Performance Framework (NPF) was launched in 2007, put into law in 2015, and last refreshed in 2018. The NPF sets an overall purpose and vision for Scotland. It highlights the broad National Outcomes that support the purpose and provides measures on how well Scotland is progressing towards the National Outcomes.

Our commitments in the Corporate Plan to the efficient and effective collection of tax, encouraging a culture of responsible tax paying and ensuring compliance with the wholly devolved tax regimes, ensures the availability of revenue to support the delivery of public services in Scotland and across all of the National Outcomes. In addition, Revenue Scotland contributes directly to the National Outcomes through investment in staff, commitment to equality, diversity and human rights, through working in collaboration with stakeholders and taxpayers and acting in an open, transparent and accountable manner.

National Indicator	Excelling in Delivery	Investing in our People	Reaching Out	Looking Ahead
We grow up loved, safe and respected so that we realise our full potential.	✓			
We live in communities that are inclusive resilient and safe.	✓		✓	
We are creative and our vibrant and diverse cultures and expressed and enjoyed widely.	✓	✓		
We have a globally competitive, entrepreneurial, inclusive and sustainable economy.	✓		✓	✓
We are well educated, skilled and able to contribute to society.	✓	✓		
We value, enjoy, protect and enhance our environment.	✓		✓	
We have thriving and innovative businesses with quality jobs and fair work for everyone.	✓	✓		
We are healthy and active.	✓	✓		
We respect, protect and fulfil human rights and live free from discrimination.	✓	✓		✓
We are open, connected and make a positive contribution internationally.			✓	✓
We tackle poverty by sharing opportunities, wealth and power more equally.	✓	✓		

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Key Issues and Risks

There have been a number of issues faced by Revenue Scotland in 2019-20. The Board has been kept informed throughout and has scrutinised and monitored progress in managing these risks and issues.

The biggest challenge of 2019-20 was successfully delivering a new tax system (SETS), on time and on budget, while maintaining business as usual (BAU) and meeting our KPIs. The Programme Board and the Revenue Scotland Board provided close scrutiny of the programme for delivery of the new tax system and delivery risks were successfully managed. SETS was delivered on time and on budget in July 2019, and with a seamless migration of data from our previous system to the replacement system, with no mishap or data loss. Support services were increased during the transition period, with staff being drawn from across the organisation to provide a 'hypercare' service to assist agents using the new system and meanwhile operational KPIs were generally maintained or improved compared to the previous year. The successful delivery of, and transition to, the new system was the biggest challenge and most significant achievement of Revenue Scotland since it was established in 2015 and can be attributed to the hard work and outstanding dedication of our staff.

Revenue Scotland has operationally delivered a number of legislative changes made by Parliament during 2019-20. The Scottish Budget included changes to the tax rates and bands for non-residential leases for LBTT which took effect from 7 February 2020. Revenue Scotland successfully implemented changes to the tax system, the tax calculator on the website and

issued guidance in support of this change. Changes were also made to the tax rates for Scottish Landfill Tax. Additionally, working with Scottish Government colleagues, Revenue Scotland made a significant contribution to the development of regulations to change the process for issuing LBTT daily penalties.

In 2019-20 we have been engaged in a number of significant tax litigation cases, which drew heavily from our legal and tax compliance teams and placed a significant burden on a number of key staff from across the organisation. A decision of the Upper Tribunal for Scotland clarified the legislative process in respect of daily penalties notices. In consequence, Revenue Scotland's process of issuing one combined notice ceased and instead two separate notices for different stages of the daily penalties processes were required. The issue of daily penalties was suspended pending consideration and a change has subsequently been made to the LBTT legislation to resolve this issue.

Cyber security continues to be a focus for Revenue Scotland, as the related risks develop all the time. The newly introduced [Framework](#) from the Scottish Government requires compliance from all public bodies and we will be working through that, as an enhancement to the Cyber Essentials accreditation already achieved by Revenue Scotland.

The COVID-19 pandemic posed a significant challenge towards the end of the reporting period, with our priorities being the safety and wellbeing of our staff, maintaining the performance of our statutory functions and continuing to deliver excellent customer service. The Business Continuity Plan was put into action, and a group was established to

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oversee the decisions and measures required; and monitor performance during this crisis. The Board also provided regular input and oversight during this transition. Revenue Scotland successfully moved to predominantly working remotely as soon as a national “lockdown” was initiated towards the end of March 2020 without any interruption to taxpayers being able to submit tax returns. Having successfully overcome the initial challenges of moving to remote working, we have continued to focus on the health and wellbeing of staff, ensuring the fulfilment of our statutory duties, providing a high standard of service and protecting the confidentiality of taxpayer information. This has been reflected in our KPI performance, which has been maintained or improved in the first half of 2020-21.

In the course of the year, two issues arose affecting a small number of tax returns and a project team was established to resolve these. It was discovered during a process review that some compliance decisions had been taken by staff who had not been correctly designated, which could have called into question the original decisions. A workstream was established, and external assurance and internal audit work were commissioned. Revised controls were put in place to prevent a recurrence of this issue. Arrangements are in place for taxpayer legal costs in case of challenge to the decisions. A second issue arose relating to the new tax system, while the correct tax liability was submitted, there was an error that affected the quality of our

tax calculation data in a group of cases. A workstream was established to identify and correct all errors, either through engagement with agents or through use of Revenue Scotland’s correction powers, and a change to the system was implemented to minimise future errors. In both workstreams, taxpayers, and agents where appropriate, were kept informed.

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Performance Summary

This section gives an overview of Revenue Scotland's performance in 2019-20 against the delivery priorities articulated through the 2018-21 Corporate Plan.

Key Projects

Revenue Scotland's Annual Business Plan includes 10 Key Projects for 2019-20, which represent a large investment and/or which are of strategic importance to the organisation and contribute to the delivery of the Corporate Plan. At the end of 2019-20, most projects were either complete or delivering well. An additional project, the Tax Issues Resolution Project was added to the Business Plan during the year.

Project	Progress	Status
New information collaboration platform A project to replace the existing systems used for collaboration and file sharing.	The intranet has now been launched and the new file sharing system in use with files being transferred over. The project is on track to finish at the end of May.	Green
LEAP - Phases 1 and 2 A programme to deliver a new Scottish Electronic Tax System and subsequent updates alongside a Business Improvement workstream.	Phases 1 and 2 have been delivered. The lessons learned and project closure report are on track to be delivered on time.	Complete
STEP - Design and Development A programme to design and deliver modules of the Scottish Tax Education Programme.	The project is on track to complete the design and development stage by the end of quarter 2, 2020-21 as planned. Modules are successfully being adapted for remote delivery due to COVID-19.	Green
Equality Outcomes and Mainstreaming Report A project to develop a new set of Equality Outcomes for 2020-24 with an accompanying action plan. In addition the project will produce the 2020 Equality Mainstreaming Report.	The new outcomes, action plan and mainstreaming report were delivered on time and published at the end of April 2020.	Complete
Call Management System A project to undertake requirements gathering and plan for a subsequent procurement for a new call management system.	The requirements gathering exercise is complete.	Complete

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Project	Progress	Status
Developing Tax Compliance A project to produce and deliver the Tax Compliance Plan in accordance with the Tax Compliance Strategy.	Significant litigation during the year drew heavily on the resources of our compliance and legal staff, as did the work to introduce our new tax system and make progress with our STEP program. The Compliance plans will be reshaped and brought back on track during 2020-21 with no loss of coverage due to the 3 year enquiry windows.	Red
New People Strategy A project to develop a revised Revenue Scotland People Strategy.	The evaluation of the 2018-2020 People Strategy was completed on time. A decision was taken to extend the current people strategy period to 2021 so that the new strategy will align with the new Corporate Plan. This project is therefore on track according to the new schedule.	Green
Develop approach to RS Website design and content An initial project to develop the requirements for the new website and propose an approach. In addition the project will propose and deliver short-term improvements to the existing website.	Updating and improving guidance is now making good progress after a slow start due to available staff resource. Proposals for the new website have been prepared but approval was delayed due to COVID-19. These will be put forward for approval in due course.	Amber
Litigation A project to manage tax litigation cases.	Litigation work is on target. We are awaiting the outcome of one case and all others were initially put on hold in April 2020 due to the impact of COVID-19, Tribunal hearings have subsequently resumed.	Green
Tax Issues Resolution Project A project to resolve a small number of returns/cases impacted technical issues.	This project using teams from across the tax and finance functions is on track to be completed during 2020-21.	Green

Key:

BLUE: Complete.

GREEN: Ongoing within project plan parameters.

AMBER: Behind project plan dates but will be completed.

RED: Seriously behind schedule and requires mitigations.

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Key Performance Indicators Overview

The 2018-21 Corporate Plan set 11 Key Performance Indicators (KPIs) which demonstrate Revenue Scotland's performance against the Plan. Full details relating to each KPI can be found in the Performance analysis and page numbers are given in the table.

In 2019-20, five out of 11 KPIs were exceeded and some were exceeded by a significant amount. For example, the target for KPI 4: Average length of enquiries is 548 days, in 2019-20 this figure was down to 152 days, which is also half the previous year's average.

KPI 8 which relates to the time taken to answer correspondence from taxpayers, narrowly exceeded the target this year with 96% which represents an improvement on the figure of 90% last year, which did not meet the target.

KPI 3: Tax secured through compliance activity, which is discussed in more detail on page 22, saw revenue reduced since 2018-19. KPI 10 is not applicable this year as there were no stage two complaints.

Of the four KPIs that were not achieved, the 99% figure for KPI 5, relating to reviews, was very close to the 100% target, and an improvement on last year. The 6 reviews not concluded in time were all in quarter one after which all reviews were completed on target.

KPI 7, which relates to the employee engagement index, saw a drop of 13% since last year. Subsequent staff engagement identified a number of issues, and in particular the impact of major projects on workloads. An action plan was co-produced with staff and is being implemented.

KPI 9 (proportion of opinions responded to within 25 days) showed an 11% improvement on the previous year and the three opinions which resulted in this figure were all legacy cases from the previous year. As with reviews, subsequent opinion cases were resolved within target. These improvements represent sustained focus on improving processes.

KPI 11, the administrative cost of tax was not achieved this year.

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No.	Indicator	Target/ Indicator	2019-20	2018-19	Status	More info
1	Average waiting time for all calls made to the support desk	<10 seconds	4.5 seconds	5.2 seconds	Exceeded	Page 20
2	Proportion of all tax returns that receive no Revenue Scotland intervention	Comparison to 2017-18 baseline (98.7%)	99.5%	99.6%	Exceeded	Page 20
3	Tax secured through Revenue Scotland's compliance activity	2017-18 baseline (£2.4m)	£862,403	£1.0m	Down	Page 22
4	Average length of enquiries	18 months (548 days)	152 days	372 days	Exceeded	Page 22
5	% of reviews concluded within statutory timescales (75 days)	100%	99% (498/504 cases)	90%	Not achieved	Page 24
6	% appealable Revenue Scotland decisions which are upheld to conclusion	50%	62% (319/517 cases)	56%	Exceeded	Page 23
7	Employee engagement index (EI) to be in the top 25% of all civil service organisations	Top 25% of organisations	99th of 106 organisations EI = 54%	22nd of 102 orgs EI = 67%	Not achieved	Page 26
8	Proportion of taxpayer or agent-initiated correspondence responded to within 10 working days (excluding opinions)	95%	96%	90%	Exceeded	Page 20
9	Proportion of opinion requests responded to within 25 days	95%	81% (13/16)	70%	Not achieved	Page 21
10	% of level 2 complaints closed within target (20 days)	100%	No level 2 complaints	2/2	N/A	Page 23
11	Administrative cost of tax received against OECD benchmark (Revenue Scotland annual resource costs less any programme costs divided by total tax & penalties reported)	0.73% (OECD UK Benchmark)	0.88%	0.73%	Not achieved	Page 29

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Financial Performance

Resource Accounts

The figures given below are the final budget (revenue and capital) after adjustment in the Spring Budget Review.

Expenditure against Resource Budget	Actual Total £'000	Budget Total £'000
Financial Year 2019-20 Expenditure	7,067	7,024
Financial Year 2018-19 Expenditure (restated)	6,227	6,210

Expenditure against Capital Budget	Actual Total £'000	Budget Total £'000
Financial Year 2019-20 Expenditure	1,827	1,791
Financial Year 2018-19 Expenditure	1,228	1,600

In 2019-20, revenue expenditure exceeded the budget by £43,000 (0.6%) and capital expenditure exceeded the budget by £36,000 (2.0%).

Scottish Ministers have confirmed that they are content with these small overspends and a letter of assurance has been provided by the Scottish Government.

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Overview

Devolved Taxes

Revenue net of repayment, excluding interest payable and revenue losses	2019-20 Tax, penalties and interest receivable Total £'000	2019-20 Budget Act Estimates Total £'000	2018-19 Tax, penalties and interest receivable Total £'000
Land and Buildings Transaction Tax	597,368	643,000	554,185
Scottish Landfill Tax	118,959	104,000	148,517
Penalties and interest	735	0	3,135
Total	717,062	747,000	705,837

The values in the above table are for tax returns and amendments submitted during 2019-20 and adjusted for the value of LBTT and SLfT returns received during April and May 2020 which relate to the period up to March 2020. The returns submitted during 2019-20 may include adjustments to returns originally submitted in previous financial years. However, unless these adjustments were received in April or May of the relevant financial period and therefore accrued into the financial statements of that year, these are accounted for in the year of receipt.

The LBTT revenue raised in 2019-20 is dependent on performance of both the residential and non-residential property markets within Scotland. The SLfT revenue raised in 2019-20 is dependent upon categories and tonnage of waste deposited in landfill sites within Scotland.

Independent forecasts of LBTT and SLfT revenue are published by the Scottish Fiscal Commission, which publishes forecast evaluation [reports](#) comparing outturn figures to Budget Act estimates, detailing the reasons for any differences observed.

Further information on the collection of the devolved taxes is given in the *Annual Report and Accounts for the Devolved Taxes for 2019-20* which is published separately.

Performance Report 2019-20

Performance Analysis

Performance against the Revenue Scotland Corporate Plan 2018-21

The 2018-21 Corporate Plan sets out how Revenue Scotland will carry out its functions under the Revenue Scotland and Tax Powers Act 2014 (RSTPA). The Corporate Plan identifies four strategic objectives and 18 underlying objectives. In addition, the Plan sets out 11 Key Performance Indicators (KPIs) which measure the success of the organisation in delivering against these objectives. Our performance against each of the strategic objectives is considered in the analysis below; including discussion of our performance against the KPIs. A summary of the KPI results can also be found in the performance summary on page 16.

1. EXCELLING IN DELIVERY



We seek to establish ourselves as experts in what we do: collecting and managing the devolved taxes through an accessible, convenient and taxpayer-focused service.

In order to achieve this we have four underlying objectives:

- ▲ Provide an efficient and reliable service to contribute to the smooth completion of transactions.
- ▲ Be firm and consistent in applying the devolved taxes legislation to collect the right amount of tax.
- ▲ Introduce improvements to our systems and processes that are informed by user experience.
- ▲ Continue to invest in our relationships with taxpayers and their agents.

These four objectives inform all the work of the organisation in the collection and management of tax and we consider our performance against these. In addition, KPIs 1-6 and 8-10 are used to measure performance in this area.

Tax Revenue

During the year Revenue Scotland's total revenue was £717m (2018-19: £706m) of tax revenue of which £597m (2018-19: £554m) related to LBTT and £119m (2018-19: £149m) related to SLfT and £1m related to penalties and interest (2018-19: £3m).

Guidance, advice and support

Revenue Scotland seeks to provide an efficient and reliable service and support the smooth completion of transactions, with guidance and support to help taxpayers pay the right tax (including a tax calculator); and seeks to be clear about the consequences of non-compliance such as penalties. We aim to respond promptly to enquiries and requests for tax opinions.

Our guidance is regularly updated and improved. In 2019-20, this included comprehensive guidance to support users of the new online tax system, and updates to the relevant guidance to reflect the changes in LBTT rates and bands for leases announced by the Minister for Public Finance and the Digital Economy on 6 February 2020. The Land and Buildings Transaction Tax (Tax Rates and Tax

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Bands) (Scotland) Amendment Order 2020 came into force on 7 February 2020.

Revenue Scotland also analyses taxpayer feedback and behaviour to identify areas where guidance could be improved in order to provide better support. This work supports compliance activity, identifying common situations where returns have been filed incorrectly and improving guidance to enable returns to be correct first time, avoiding additional administration costs and penalties. In 2019-20 this included analysis of First Time Buyers. The results indicated that improved guidance could be of benefit to taxpayers. This work will continue in 2020-21.

Effectiveness of support and guidance

KPI 2: Proportion of all tax returns that receive no Revenue Scotland intervention¹, gives an indication of the efficiency and effectiveness of Revenue Scotland's procedures, guidance and support. The majority of returns are submitted electronically and require no intervention from Revenue Scotland. A high proportion of tax returns being accepted as right first time indicates that taxpayers are clear about the amount of tax that they ought to pay, with a target rate corresponding to the 2017-18 baseline of 98.7%. The 2019-20 rate remained broadly consistent with last year, exceeding the target, with 99.5% of returns requiring no formal intervention. However, towards the end of 2019, a small group of returns submitted using the new tax system were identified as having inconsistencies in the calculations. Updates were made to the system to improve accuracy and a workstream was initiated (part of the Tax Issues Resolution Strategic Project) to correct these minor errors where possible,

or contact agents asking them to review returns and make corrections. This project is now complete.

Prompt response to taxpayer calls and correspondence

KPI 1: Average waiting time for all calls made to the support desk, gives an indication of how promptly we respond to telephone queries, with a target average waiting time of less than 10 seconds. We continued to perform within target this year, improving on last year's result (5.2 seconds) with a mean waiting time of 4.5 seconds.

After SETS went live in July, a 'hypercare' service was put in place to support agents using the new system. Additional call handling resource and specific training was provided to deal with increased numbers of calls from agents. Towards the end of the year the telephone support desk was temporarily suspended at the beginning of the COVID-19 lockdown due to the swift move to home-working. Online messaging services were still available during this time and the telephone service is now back up and running following system changes and additional risk assessments and training for staff.

KPI 8: Proportion of tax payer or agent-initiated correspondence responded to within 10 working days (excluding opinions), indicates how promptly we are responding to queries. The target for this KPI is that 95% of taxpayer or agent initiated correspondence should be responded to within 10 working days, regardless of how they contacted us. In 2019-20, the target has been exceeded with 96% of correspondence replied to within 10 days.

¹ This is the percentage of all self-assessed tax returns that are accepted without any need for amendment

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This is an improvement of 6% on last year and reflects the work that was done towards the end of the previous year to improve processes. The results of this could be seen towards the end of 2018-19 and have been sustained and improved upon during 2019-20.

Prompt and high quality Opinions Service

Revenue Scotland offers an opinions service for complex tax queries where a taxpayer or their agent is uncertain about their tax liability for a specific transaction after consulting the legislation and guidance. The service aims to resolve genuine cases of difficulty or uncertainty, rather than providing a clearance service.

KPI 9: Proportion of opinion requests responded to within 25 days gives an indication of how promptly Revenue Scotland is responding to opinions, thereby quickly reducing areas of uncertainty for taxpayers. The target is that 95% of opinion requests should be fully concluded within 25 days. This year, in 81% of cases (13 out of 16) Revenue Scotland gave an opinion within 25 days. Although the target was not met this year, this represents an improvement on the 70% achieved in the previous year. The three cases which were not answered within target were legacy cases from 2018-19, which were concluded in quarter one of 2019-20 and therefore impacted the achievement of the target for the rest of the year.

Compliance activity

Approach to Tax Compliance

Revenue Scotland has a duty to protect the revenue and ensure that the correct amount of tax is collected. We do this through encouraging a culture of responsible taxpaying, where individuals and businesses pay their taxes as the Scottish Parliament intended. We work to make it as easy as possible for taxpayers to understand and comply with their obligations and pay the right amount of tax, while at the same time working to detect and deter non-compliance.

Our approach to tax compliance has three key elements:

- ▲ Enabling – helping taxpayers comply with their tax obligations – including guidance, a user-friendly online system, support desk, tax opinions and stakeholder engagement.
- ▲ Assurance – helping taxpayers get to the right position – including checks applied to returns to ensure they are complete and accurate and highlighting any errors, landfill inspections, sharing of intelligence with other tax authorities, use of investigatory powers, statutory enquiries and assessments.
- ▲ Resolution – solving disputes, pursuing non-compliance and applying penalties where required.

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Collaborative Working

Revenue Scotland works in collaboration, sharing information, intelligence and knowledge regularly with Her Majesty's Revenue and Customs (HMRC) and the Welsh Revenue Authority (WRA,) within the legal gateways in the RSTPA and through Information Sharing Agreements for the purpose of civil or criminal proceedings. We attend regular meetings with HMRC and the WRA to discuss matters of mutual interest regarding our taxes.

Compliance Yield

KPI 3: Tax secured through Revenue Scotland's compliance activity measures additional revenue raised as a direct result of determinations, assessments, adjustments and penalties where non-compliance has been identified. These activities generated £0.48m of tax in the year 2019-20 (2018-19: £0.36m) and £0.38m of paid penalties and interest (2018-19: £0.66m), giving a total direct compliance yield of £0.86m (2018-19: £1.03m). Whilst the revenue secured through compliance activity has been lower in 2019-20 than in the previous year, this figure does not include any yield from significant longer-running cases still underway, where that yield will not be recognised until the end of the enquiry, and when all potential appeals and further litigation have been exhausted. Additionally the figure does not reflect upstream compliance activity designed to ensure for example that the systems and guidance assist taxpayers to comply with their obligations.

Enquiries

Revenue Scotland has a statutory 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. There is a statutory timescale for completing enquiries of three years (1,095 days) from the date the return in question was required to be filed (or if filed late, was actually filed).

KPI 4: Average length of enquiries gives an indication of the standard of service to taxpayers. The target for the year was 548 days (18 months). This ambitious target is broadly half the statutory timescale, which reflects the commitment to concluding enquiries in a timely manner, providing minimal uncertainty for the taxpayer. In 2019-20, the average length of enquiries for the year was 152 days, which is well within target and also an improvement on the previous year (372 days). The enquiries undertaken involve differing levels of complexity. The positive figures reflect sustained management focus on enquiry work and have been achieved alongside an increase in enquiries closed from 31 in 2018-19 to 70 in 2019-20.

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Managing disputes

There are three main routes for taxpayers, agents and other members of the public who wish to dispute an action or decision by Revenue Scotland or on our behalf by our partner organisations.

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 our behalf. They are distinct from tax disputes. Where complaints are received, we seek to learn from these to improve our operational procedures and processes.

Revenue Scotland's complaints handling procedure 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 evidence-based decisions can be made on the facts of the case. The complaints handling process complies with the Scottish Public Services Ombudsman's (SPSO) guidance. This allows for two opportunities to resolve complaints internally: stage 1 – frontline resolution; and stage 2 – investigation.

KPI 10: percentage of complaints closed within 20 working days, measures whether or not Revenue Scotland is promptly responding to complaints and the target is for 100% to be closed within the 20 day period. There were no stage 2 complaints received this financial year, which compared to previous years is a marked improvement and suggests that our customers have broadly been satisfied with the services provided.

One complaint was escalated to the Scottish Public Services Ombudsman during the previous year and their [findings](#) were subsequently submitted to the Scottish Parliament on 24 July 2019. We fully accepted the recommendations made by the SPSO and an improvement plan including updated procedures and delivery of complaint handling training for all staff was implemented this year. A new module on 'Engaging with Taxpayers' for the Scottish Tax Education Programme was also developed, and this includes a major focus on complaint handling.

Tax Disputes - Reviews and Appeals

Revenue Scotland aims to minimise tax disputes by providing clear information and guidance to taxpayers and having robust decision making processes in place. In the event of a dispute a taxpayer may request an internal review of a decision, request – or agree to – mediation, or appeal a decision to the Scottish Tribunals. The RSTPA sets out the decisions which are reviewable and appealable. An appeal may be made regardless of whether or not a review has been sought or mediation entered into.

The Tax Chamber of the First-tier Tribunal for Scotland (FTTS) decides appeals against Revenue Scotland decisions, and the Upper Tribunal (UT) decides appeals on a point of law from decisions of the FTTS.

Tax Disputes

KPI 6: Percentage of appealable Revenue Scotland decisions which are upheld to conclusion relates to tax disputes, and includes reviews and appeals to tribunals. The target for this KPI is that 50% are upheld and in 2019-20, 62% of decisions were upheld compared with 56% last year. The majority of the 517 cases

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were reviews, with a small number of cases concluded by the Tax Chamber of the First-tier Tribunal for Scotland. A large percentage of reviews arise from the imposition of late filing and late payment penalties. The penalty cases that are cancelled, or varied on review generally reflect cases where we are subsequently being presented with evidence of reasonable excuse or special circumstances.

Reviews

Taxpayers and their agents have the right to request that Revenue Scotland reviews any decision that affects whether a person is liable to pay tax, the amount of tax due, the date the tax is due and payable and the imposition of a penalty or interest. Reviews must be concluded within the statutory timescale of 75 days.

KPI 5: Percentage of reviews concluded within statutory timescales (75 days) gives an indication of whether or not Revenue Scotland are providing an efficient and reliable service. The target for this KPI is that 100% of reviews are concluded within the statutory timescale. In 2019-20, we narrowly missed this target with 99% of cases concluded within the 75 day period.

Although we did not meet the target, performance has been good for the majority of the year, with 498 cases concluded on time. The six cases which were not concluded within the 75 day period, were all concluded during the first quarter of 2019-20. Quarter one was also a busy quarter with the highest number of reviews concluded (187). In the remaining three quarters of the year, 100% of reviews were concluded on time. This year also represents an improvement in performance since 2018-19 where 90% of reviews were concluded with the 75 day period.

Appeals

During 2019-20, 28 appeals were initiated in the [Tax Chamber](#) of the First-tier Tribunal for Scotland, and three were still in progress from 2018-19. A total of nine cases were withdrawn and the Tribunal made decisions on 13 appeals. All of which were dismissed. At the end of March 2020, nine cases were still in progress and tribunals were paused due to the COVID-19 'lockdown'.

No cases progressed to the Upper Tribunal for Scotland in 2019-20. No decisions were issued by the Upper Tribunal in 2019-20.

Revenue Scotland did not receive any requests for mediation in 2019-20.



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2. INVESTING IN OUR PEOPLE



The second strategic objective in our Corporate Plan, 'Investing in our People' reflects the high value the organisation places on the skills, capacity and engagement of the people in the organisation, and recognition of the need for investment to develop and support a highly skilled and engaged workforce, upholding the required standards of professionalism and integrity.

The delivery of this strategic objective is primarily measured by the organisation's performance against the five underlying objectives set out in the Corporate Plan and through KPI 7. The five underlying objectives are:

- ▲ Maintain and enhance a highly skilled workforce.
- ▲ Support staff to understand their contribution to the wider work of Revenue Scotland.
- ▲ Maintain a culture where staff feel their contribution is valued and that they have a future in the organisation.
- ▲ Encourage staff to identify with Revenue Scotland's strategic objectives and contribute actively to their achievement.
- ▲ Strengthen our leadership capacity.

Revenue Scotland's People Strategy reflects and underpins delivery of Strategic Objective 2. The People Strategy, launched in 2017, has five themes:

- ▲ Leadership;
- ▲ Our Jobs;
- ▲ Workforce;
- ▲ Culture; and
- ▲ Capability.

In the final quarter of the year, COVID-19 presented one of the biggest challenges faced by the organisation. Our staff have quickly and successfully adapted to the change, including getting to grips with new technologies and different ways of working. With regards to staff, health and wellbeing during this unprecedented situation has been our top priority, while also maintaining performance across the organisation. A range of measures have been put in place to support this including:

- ▲ Training to support staff working remotely.
- ▲ Training in using digital tools to facilitate contact and collaboration.
- ▲ More frequent 'check-ins' between line managers and staff to discuss wellbeing and workload.
- ▲ Individual risk assessments for remote working and provision of any additional equipment required.

Having met this challenge at the end of the year, there has been significant progress with regards to our 2017-20 People Strategy during the reporting period. The strategy has been extended for a year and the new strategy will be developed and published alongside the next Corporate Plan in 2021.

Learning and Development is a key part of the People Strategy. Revenue Scotland is committed to investing in our people and we recognise that a highly skilled workforce underpins and enables everything we do. The Scottish Tax Education Programme (STEP) project met its milestones with the design and delivery of the first group of nine foundation modules, and a subsequent specialist module has been designed

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and piloted. With the move to remote working, the modules have been successfully adapted for remote delivery, making innovative use of interactive tools and techniques. This has been an outstanding achievement by the small group of staff and training champions who led this.

There has also been a strong focus on line manager capability this year, with the formation of a line managers' group to promote collective decision making and Learning and Development (L&D), with training for line managers in areas such as leading under pressure and bullying and harassment. In addition, staff who are expecting to give evidence at tribunals have received tailored training to support them.

An independent evaluation was undertaken of the People Strategy, which included undertaking workshops with staff, the Senior Leadership Team and members of the Staffing and Equalities Committee of the Board. The findings were that overall the People Strategy has contributed to the good progress made in the development of our organisational capability and that the next strategy should have a stronger focus on resourcing and workforce planning, and 'skill paths' for individual roles to support development and performance. A capability matrix is planned for development to support this. The decision was made to extend the People Strategy until 2021 to align with the next Corporate Plan.

Staff conference events were held in October and January. The Event in October had Equality and Diversity as its main focus with guest speakers who talked about equality and discrimination including sharing their own experiences. Staff were also encouraged to contribute ideas of how they could contribute within their jobs to creating a more equal

organisation. These helped to inform the development of the new Equality Outcomes published in April 2020. The event in January focused on the results of the [Civil Service People Survey](#), more details are given below.

KPI 7: Employee engagement index is included in the results of the Civil Service People Survey. It reflects staff experience across the nine themes in the survey, 'My Work'; 'Organisational Objectives and Purpose'; 'My Manager'; 'My team'; 'Learning and Development'; 'Inclusion and Fair Treatment'; 'Resources and Workload'; 'Pay and Benefits' and 'Leadership and Managing Change'.

In 2019, the employee engagement index for Revenue Scotland dropped from the 2018 figure of 67% to 54%. This places Revenue Scotland 99th out of 106 Civil Service organisations compared to last year's position of 22nd out of 102. This means that we did not meet our target to place within the top 25% of Civil Service organisations. Engagement with staff suggests that impacts from the delivery of SETS, a transformational, cross-organisational project, in 2019 and other major projects such as the preparation for litigation cases, experienced this year, have contributed to this downturn in the engagement score. Positive discussions with staff towards the end of this year provide a solid foundation for improvement. These discussions took place both in individual teams and also at the all staff event in January. At the event, staff co-created an action plan for the organisation and identified three 'pledges': what they could do for themselves, for their team and for Revenue Scotland. The areas for action identified in this engagement were 'Communication', 'Leadership', 'Planning Work and Change', 'Learning and Development' and 'Respect and Value'.

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3. REACHING OUT



We aim to build on our reputation as an accessible, collaborative and transparent public body, keen to learn from others and share its experience and expertise.

The building of Revenue Scotland's reputation in these areas is measured by the organisation's performance against the five underlying objectives set out in the 'Reaching Out' section of the Corporate Plan:

- ▲ Provide support to the Scottish Government and others on tax policy matters.
- ▲ Provide support to the Scottish Fiscal Commission in its tax forecasting role.
- ▲ Support current and emerging public bodies in Scotland and beyond.
- ▲ Continue to engage with the wide range of skills and experience that exists within the Scottish tax community.
- ▲ Keep up to date with innovative developments in tax administration in other countries.

Revenue Scotland meets regularly with Scottish Government, providing advice on tax matters based on our operational experience, and we provide detailed information about the devolved taxes to the Scottish Fiscal Commission (SFC), which is also publicly available, to support the independent forecast of Scottish tax revenue.

We engage more widely with MSPs and stakeholders, gave written and oral evidence to the Finance and Constitution Committee of the Scottish Parliament, and held a launch event at the Parliament for the 2018-19 Annual Reports and Accounts in October 2019. This

event attracted cross-party representation and a range of stakeholders. Revenue Scotland is represented on the Devolved Taxes Legislation Working Group, which is jointly chaired by the Scottish Government and Scottish Parliament.

Revenue Scotland also engages regularly with other public bodies in Scotland, the rest of the UK and beyond, and this continued during 2019-20, engaging with HMRC and the Welsh Revenue Authority in particular on tax administration, and with other public bodies on a range of corporate issues. These include areas such as risk management, business planning and equalities and diversity.

We held a SLfT forum in June 2019, providing a platform to engage with and hear views from Scotland's landfill sector and staff also attended a range of events to engage with organisations and individuals across Scotland's diverse tax, financial and legal sectors. For example, in 2019-20 Revenue Scotland staff regularly attended events run by the Women in Tax Network. We also attended a data users event run by the Welsh Revenue Authority and spent a day with their analysts.

The British Isles and Northern Ireland Tax Authorities Forum (BITAF) met twice during 2019-20 and is attended by Revenue Scotland, HMRC, Isle of Man Government, the Northern Ireland Executive, the States of Guernsey Taxes Office, the States of Jersey Taxes Office, and the Welsh Revenue Authority. The forum enables the sharing of knowledge, experience and opportunities. In addition, the forum's 'Interchange Group' worked together to progress plans for short-term interchange opportunities and to develop Learning and Development initiatives.

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Scottish Landfill Communities Fund (SLCF)

The SLCF was established to provide funding for community or environmental projects in recognition of the dis-amenity experienced from landfill activity.

The SLCF continues to function well. Approved Bodies continue to receive contributions, enrol projects and ensure that projects are delivered successfully.

This year, Scotland's communities and environment benefited from a further £5.98m of funding being awarded to 280 projects that will be delivered over the coming year. This means that in total, over the last five years that the SLCF has been operational, £40.3m has been paid into the fund and almost £33m of projects have been funded.

The value of qualifying contributions made to the fund this year (£6m) was almost £1.7m less than last year (£7.7m). This is significantly less than contributed in any previous year but is comparable to the Scottish Fiscal Commission (£6.2m) [forecast](#) from December 2018. This is a trend that is [forecast](#) to continue. Although the implementation of the ban of Biodegradable Municipal Waste to landfill has been delayed (from January 2021 to January 2025), the reduction in contributions to the SLCF that we have seen this year is likely attributable to waste producers starting to get ready to divert waste from landfill.

It is almost certain that the reduction in landfilling will continue over the next 4 years, leading to a reduction in possible contributions to the SLCF, although this might not be at the same rate forecast before the ban was delayed.

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4. LOOKING AHEAD



The final strategic objective in the Revenue Scotland Corporate Plan, 'Looking Ahead' aims to plan and deliver change and improvements to our systems and processes flexibly and on time.

The delivery of this strategic objective is primarily measured by the organisation's performance against the four underlying objectives set out in the Corporate Plan and through the KPIs. The underlying objectives are:

- ▲ Provide the organisation with flexibility and resilience by investing in staff skills and knowledge.
- ▲ Develop our systems and processes to meet our users' requirements and adapt quickly to change.
- ▲ Fostering a culture of continuous improvement to enable us to adapt and respond to the need for change.
- ▲ Put in place proportionate resources for the challenge ahead.

Optimising service delivery

Efficiency

KPI 11: Administrative cost of tax received against OECD benchmark is calculated as Revenue Scotland's annual resource costs less any programme costs divided by total tax and penalties reported.

This KPI measures the administrative cost of tax received² and operates to a target of 0.73% which is the most recent benchmark calculated by the OECD for taxes collected in the UK - the median of all OECD countries is 0.87%. In 2019-20 Revenue

Scotland's administrative costs were 0.88%.

Revenue Scotland takes a Continuous Improvement approach seeking to improve efficiency and deliver better results. For example in 2019-20 several of the Tax Operations processes have been streamlined and improved, including the process for reviews.

Leading, Enabling, Ambition, Performance ('LEAP') Programme

The LEAP programme saw the successful launch of the new SETS, the first phase of which went live successfully on 24 July 2019. Within the first three weeks of launch, over 2,600 individual accounts were active online and over 9,000 returns were filed. Users have been at the core of this development. The developments have been informed by User Research to ensure it met their needs, and they were supported through the transition with an enhanced 'hypercare' support desk which ensured we had capacity to provide assistance, record and, where required, fix any issues.

New, comprehensive guidance for the system was made available on our website and is kept up to date. A subsequent phase was launched in April 2020.

The programme also included a business improvement project and continuous improvement strand. This informed the development of a new 'Target Operating Model' for Revenue Scotland. This work will continue beyond the life of the programme and the system will continue to evolve over time as part of our programme of continuous improvement.

² This is the total running costs for all aspects of Revenue Scotland functioning as a percentage of the total money transferred into the Scottish Consolidated Fund plus the Scottish Landfill Communities Fund and not 'clawed back'.

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Cross-cutting matters

Risk Management

Revenue Scotland operates under an established Risk Management Framework (the Framework) which aligns with the best practice guidance presented through the Scottish Public Finance Manual and Scottish Government's Risk Management Guidance document.

The approach to Risk Management has 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 approach has been designed to manage risk to a reasonable level rather than to eliminate all risk. As a dynamic approach, this also allows the organisation to map uncertainty where it exists and address that as a component of risk management and therefore monitor this routinely, or look to address it through specific business activities which ties to team and organisational performance management structures more closely.

Corporate risks are expressed in terms of the risks to the strategic objectives set out in the Corporate Plan. Revenue Scotland also regularly monitors risk in relation to performance against the KPIs which measure delivery of the Corporate Plan, and in relation to the Annual Business Plan, which sets out the key priorities each year. Performance reports include an assessment of operational risks and mitigating actions.

The Corporate Risks as they stood at 31 March 2020 were as follows, and have been actively

managed throughout the year by risk managers and risk owners with oversight from senior management, the ARC and the Board.

- 1 Legislative and regulatory framework for Devolved Taxes
- 2 Resourcing and Capability Development
- 3 Digital Technology
- 4 Cyber Security
- 5 Management of Business Critical Relationships
- 6 Risks associated with Governance and Compliance
- 7 Insufficient Funding
- 8 Failure to provide quality authoritative data
- 9 Failure to deliver LEAP Programme objectives
- 10 Resilience
- 11 Stakeholder engagement
- 12 Litigation

The Corporate Risk Register was reviewed in 2019-20 and engagement was carried out with the Audit and Risk Committee, the Senior Leadership Team and Risk Managers. A refreshed set of risks was latterly considered by ARC and agreed by the Board later in 2020. Both the ARC and the Board are satisfied that risk is managed appropriately.

In addition, as the organisation responded to the emerging health crisis brought upon by the

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COVID-19 pandemic, a further comprehensive review of the organisation's risks was undertaken. This exercise identified those direct operational and existential risks faced by Revenue Scotland as the operating model moved rapidly from being office based to fully remote and therefore digital. The review informed the approach we took to the decisions that required to be made to ensure operations could continue and also formed part of the consideration of the Corporate Risk Register referred to above.

Equality, diversity and human rights

This year Revenue Scotland developed a new set of equality outcomes and associated action plan. This included an equality theme for the Staff conference in October and a public consultation on the proposed equality outcomes. The action plan is designed with mainstreaming in mind and delivery of the plan will happen through equalities components of projects and programmes across the office.

The equality mainstreaming report was published in April 2020 and includes the following outcomes:

- ▲ Equality Outcome 1 - Revenue Scotland will design and deliver public services that meet the diverse needs of its users.
- ▲ Equality Outcome 2 - Revenue Scotland has an increasingly diverse workforce that fully embraces equality, diversity and respect for all.

Equality Mainstreaming will remain as a strategic project with oversight of activity across other projects. In particular this will be seeking to improve the use of Equality Impact

Assessments across Revenue Scotland to ensure that equality is embedded in everything that we do.

Revenue Scotland is committed to acting at all times in a way which respects and is compatible with the rights guaranteed under the European Convention on Human Rights and the Human Rights Act 1998. Revenue Scotland has published [guidance](#) on taxpayers' rights with regards to penalties under Article 6 of the Convention.

Ethical Issues

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

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Environmental

Revenue Scotland 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, including through encouraging online tax returns; 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. Revenue Scotland contributes to the Scottish Public Sector Bodies' Climate Change [Report](#) annually. Revenue Scotland is based in the Scottish Government's Victoria Quay building in Edinburgh which means that the majority of its environmental impacts (e.g. heating, lighting, equipment and water) are monitored and included in the Scottish Government's annual climate change report.

Records Management and GDPR

The Revenue Scotland Records Management Plan was approved by National Records of Scotland in 2019-20. Through the year the focus has been on the implementation of the plan, including development of training and better defining roles and responsibilities. We also continued to work towards our digital ambition, rolling out improved digital file sharing capability with partners such as SEPA and with Board members. These improvements have proved crucial in supporting the move to remote working due to COVID-19.

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Whistleblowing Report

Revenue Scotland has a whistleblowing policy and procedures in place to ensure that issues can be raised. During the reporting period 1 April 2019 to 31 March 2020, Revenue Scotland received no whistleblowing disclosures (see the table below):

Category	Number of disclosures
Number of non-qualifying disclosures	0
Number of qualifying disclosures	0
Number of qualifying disclosures requiring no further action	0
Number of qualifying disclosures requiring further action	0

Investigations

No investigations were carried out in this reporting period.

Actions

No actions were required during this investigations period.

Improvement objectives

No improvement objectives were required during this investigations period.

Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer

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Corporate Governance Report

The Directors' Report

Revenue Scotland Board 2019-20

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 re-appoint 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 public appointments exercise regulated by the Commissioner for Ethical Standards in Public Life in Scotland.

In the financial year 2019-20, Martin McEwen and Jean Lindsay were appointed to the Board on 1 July 2019.

Board Members 2019-20

Dr Keith Nicholson – Chair

Dr Nicholson has more than 30 years' experience in statistical analysis and data modelling. His specialist background is in transactional websites, cyber security and technology. He is also a member of the Visit Scotland Board and a trustee of the Mey Highland Games.

Lynn Bradley – Chair of Audit and Risk Committee

Lynn Bradley is an accountant with more than 30 years' experience in the Scottish public and private sectors. Previous roles include Director of Corporate Programmes and Performance at Audit Scotland and Chair of CIPFA Scotland. She currently lectures in the Adam Smith Business School at the University of Glasgow and is a member of the Institute of Chartered Accountants of Scotland (ICAS) Audit and Assurance panel. She is also a trustee of Cash for Kids (Radio Clyde).

Jane Ryder OBE – Chair of the Staffing and Equalities Committee

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

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Corporate Governance Report

Ian Tait

Ian Tait is Deputy CEO at the Water Industry Commission for Scotland and an independent member of Ofgem's ESO Performance Panel. A regulatory specialist, he has advised the Scottish Government on the development of regulatory structures. Previous posts include Director of Investment at the Water Industry Commission and Transmission System Manager at Scottish and Southern Energy.

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

John Whiting was a non-executive director of HMRC until September 2019; he remains a director of the Taxation Disciplinary Board; until March 2017, he 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.

Jean Lindsay (appointed 1 July 2019) - Member of Staffing and Equality Committee

Jean Lindsay was previously the Director of Human Resources at the Forestry Commission. She is a Chartered Fellow of the Institute of Personnel and Development (FCIPD). She has experience in leadership, strategic people management, change management and corporate governance in the public sector. She is also a member of the Board of Crown Estate Scotland and a Non-Legal Member of the Employment Tribunal (Scotland).

Martin McEwen (appointed 1 July 2019) - Member of the Audit and Risk Committee

Martin McEwen is a Chartered Accountant and Tax Advisor. He is the Head of Tax at SSE plc and a member of their Finance Leadership Team. He joined the company in 2008 after a number of years at PwC and is a regular speaker on tax transparency and responsible corporate tax behaviour. He has sat on both the Scottish Taxes and the Corporate Tax Committees at ICAS.

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Corporate Governance Report

Co-opted Committee Members 2019-20

Steve Bruce – Member of Audit and Risk Committee (appointed 1 April 2018 until 31 March 2020)

Steve Bruce is a chartered accountant with more than 25 years of experience in external and internal audit primarily in the global financial services sector, and more recently in the charities sector.

Simon Cunningham – Member of Audit and Risk Committee (appointed 1 November 2019)

Simon Cunningham is an experienced risk, audit and governance specialist and Chartered Accountant with audit and risk experience at Scott-Moncrieff, Aegon and McInroy & Wood. He is also a member of the ARC at the Scottish Courts and Tribunals Service, a member of the Board of Directors of the Free Church of Scotland Pension Scheme Trustees Ltd, and is Chair of Compass Christian Centre Ltd.

Further information about the interests of Board Members can be found on the Revenue Scotland [website](#).

Senior Leadership Team 2019-20

Elaine Lorimer - Chief Executive

Elaine Lorimer 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.

Michael Paterson – Head of Tax (appointed 8 April 2019)

Michael Paterson joined Revenue Scotland in March 2019 and has lead responsibility for the administration and compliance of the devolved taxes, ensuring they are collected and administered efficiently and effectively. Michael has extensive knowledge and operational experience of UK taxes, particularly those dealing with international matters, resulting from 30 years as a senior tax professional with HMRC. His wide-ranging and senior tax roles have been in areas including technical, policy, investigations and management.

Neil Ferguson, Head of Corporate Functions (appointed 6 January 2020)

Neil Ferguson joined Revenue Scotland in January 2016 and has worked on the introduction of the Additional Dwelling Supplement, led the Air Departure Tax Programme and the Corporate Plan for 2018-21. He previously worked on the devolved taxes legislation until 2015, on the Referendum Bill and the introduction of the Home Report which transformed the approach to buying and selling homes in Scotland.

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Mairi Gibson, Head of Legal Services (appointed 3 February 2020)

Mairi Gibson joined Revenue Scotland in February 2020. She has been a government lawyer since 1998. Over the years she has been seconded to various posts within the Government Legal Service for Scotland including the Scottish Government Legal Directorate, Scottish Parliament and the Office of the Advocate General.

Stephen Crilly – Head of Legal Services (until 1 December 2019)

Stephen Crilly is a Scottish solicitor and was 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 5 January 2020)

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

Chris Myerscough – Head of Tax (until 16 April 2019)

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 previously gained 25 years of tax experience at HMRC in various technical, compliance and policy roles.

Further information about members of the Senior Leadership Team can be found on the Revenue Scotland [website](#).

Information on personal data related incidents can be found in the Governance Statement below.

Accountability Report 2019-20

Corporate Governance Report

Statement of the Accountable Officer's responsibilities

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

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

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

- ▲ observed the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ▲ made judgements and estimates on a reasonable basis;
- ▲ stated whether applicable accounting standards as set out in the FReM have been followed and disclose and explain any material departures in the financial statements; and
- ▲ prepared the accounts on a going concern basis.

The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which she is answerable, for keeping proper records and for safeguarding Revenue Scotland's assets, are set out in the [Scottish Public Financial Manual](#).

The Accountable Officer may consult with the SG Chief Financial Officer (CFO) on any aspects of the duties applying to Accountable Officers in the Scottish Administration. The Accountable Officer must consult the CFO 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, she 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 the response to any subsequent recommendations from the SPSO.

I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information, and to establish that Revenue Scotland's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I confirm that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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Corporate Governance Report

Governance Statement

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

Governance Framework

Revenue Scotland is responsible for the collection and management of Scotland's wholly 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 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 also responsible for tax policy and 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 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 of the Board, the Chief Executive, or any other staff member, but it always retains responsibility for carrying out any function it delegates.

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 am supported in this role by the other members of the Senior Leadership Team (SLT), who oversee the day-to-day business of Revenue Scotland, with each member taking responsibility for a specific area. The SLT is made up of the Chief Executive, the Head of Tax, the Head of Corporate Services and the Head of Legal.

Operation of the Governance Board and Committees

The Board is responsible for the functions and powers of Revenue Scotland and delegates authority to staff through a [Scheme of Internal Delegation](#). The Board sets the strategic direction for the organisation, oversees Revenue Scotland's work and monitors performance including the design and operation of risk and governance frameworks. They do this through scrutiny (and where appropriate) approval of:

- ▲ Annual Business Plans and three year Corporate Plans;
- ▲ key strategies and policies;
- ▲ regular reports, including reports relating to risk management, performance, tax compliance, business continuity, staffing and health and safety, and changes in the devolved taxes;
- ▲ the Annual Reports and Accounts;
- ▲ reports from the Audit and Risk and Staffing and Equality Committees; and
- ▲ strategic engagement with key partners and customers.

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Corporate Governance Report

I can report that in the course of the year, the Board met on ten occasions (2018-19: nine). During this time, the Board scrutinised a number of specific matters, including:

- ▲ making a number of significant decisions on LBTT and SLfT cases (in line with the Scheme of Internal Delegation);
- ▲ oversight of the implementation of the changes to LBTT rates; and
- ▲ strategic oversight of the LEAP programme including the replacement of the tax system.

I can also report that, during 2019-20, in line with best practice, the Board and its Committees have reviewed their effectiveness and the Chair has conducted individual Board appraisals.

Audit and Risk Committee

The remit of the Audit and Risk Committee is to support the Board and Accountable Officer by reviewing the comprehensiveness, reliability, and integrity of the assurances produced in support of financial reports. The Committee fulfils its role through:

- ▲ scrutiny of risk management arrangements;
- ▲ scrutiny of audit plans and reports;
- ▲ considering and monitoring of responses to recommendations from internal and external auditors and other bodies;
- ▲ review of the certificates of assurance produced by management as part of the financial reporting process, and the Chief Executive's Governance Statements; and
- ▲ overseeing the financial reporting process.

The terms of reference for the committee are published on Revenue Scotland's [website](#) within the Board Standing Orders.

Members of the committee in 2019-20 were Lynn Bradley (Chair), John Whiting and Jean Lindsay, who joined the Committee on 1 November 2019, and was replaced by Martin McEwen on 11 March 2020.

The Committee also has co-opted members, Steve Bruce who completed his term on 31 March 2020 and Simon Cunningham who joined the ARC in November 2019. Co-opted members do not form part of quorum and therefore do not have the same rights as Board members on the Committee.

The Committee is also attended by the Chief Executive, Head of Corporate Functions, Head of Tax, Head of Governance, Chief Accountant, and representatives of internal and external audit as well as other staff members as required.

I can report that the committee met five times in 2019-20, including a Special ARC to scrutinise the Annual Reports and Accounts (2018-19: 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.

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Corporate Governance Report

In the course of the year, I can report that the Committee actively engaged in a number of relevant matters, including:

- ▲ Business Continuity Planning;
- ▲ Internal and External Audit;
- ▲ Review of the Corporate Risk Register; and
- ▲ 2019-20 Annual Report and Accounts.

Staffing and Equalities Committee

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

The Committee comprises three Board members, Jane Ryder (Chair), John Whiting and Martin McEwen, who joined the Committee on 1 November 2019 and was replaced by Jean Lindsay on 11 March 2020. Staff attendees comprise the Chief Executive, Head of Corporate Functions, the Head of Tax, the Head of Legal, the Head of Organisational Development and the Head of Planning, Performance and Risk who has responsibility for Equalities. Further staff members attend as required.

I can report that the committee met four times during 2019-20 (2018-19: three) and engaged in a number of relevant matters including scrutiny of:

- ▲ delivery progress and evaluation of the People Strategy, and related workforce planning, learning and development plans;
- ▲ the development of the Scottish Tax Education Programme (STEP);
- ▲ performance against our Equalities Action Plan;
- ▲ the development of new Equality Outcomes and Action Plan for 2020-24; and
- ▲ the Equality Mainstreaming Report.

Assurances provided to the Chief Executive

I have received written assurances from members of my Heads of Service who have responsibility for the operation and effectiveness of internal controls within the Tax, Legal, Communications and Change, Organisational Development and Corporate Functions teams.

The assurances from Heads of Service raised the issue that Revenue Scotland were not fully compliant with Health and Safety best practice, particularly with regards to the operation of the Health and Safety Committee and the inclusion of wider health and wellbeing being formally part of its remit. I can report that this has now been addressed. A revised Health and Safety Policy was approved by the Board in October 2020, and the Health and Safety Committee has been refreshed and will now meet regularly.

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I have also received specific assurance from the Head of Tax to confirm that internal controls and training have now been strengthened as a result of the identification of an issue in the process of making 'Designated Officer' compliance decisions (for further detail see the Risk Management section below).

For those services which Revenue Scotland receives from the Scottish Government, I have received written assurance from the Scottish Government's Chief Financial Officer in respect of the financial systems, from the Scottish Government's Director for People in respect of the human resources (HR) services and payroll systems shared with Revenue Scotland and from Scottish Government's Director Digital in respect of digital corporate services shared with Revenue Scotland. No issues of significance were raised with me as part of these.

I requested further information and assurance from the Director for People concerning the need for progress on concluding revised arrangements with Revenue Scotland that reflect our status as a separate employer and am pleased to report that a commitment has been given to conclude these matters by the end of March 2021. I have also requested that the matters that I have raised are taken into account as part of the programme for development and reform of shared services.

I have also received assurance from the Accountable Officers of Registers of Scotland and the Scottish Environment Protection Agency in respect of the statutory functions delegated to them by Revenue Scotland. No issues of concern were raised by them.

These arrangements have been in operation throughout 2019-20, up to, and including the date of issue of these accounts.

In conclusion, I can confirm that, based on the aforementioned written assurances received, there were no other significant control weaknesses identified in the period under review.

Report on Personal Data Incidents

Revenue Scotland manages, maintains and protects all information according to the requirements of relevant legislation, its own information policies and best practice.

Revenue Scotland has an Information Assurance governance structure which prioritises and manages information risks. The governance structure:

- ▲ protects the organisation, its staff and our customers from information risks where the likelihood of occurrence and the consequences are significant;
- ▲ ensures adherence with statutory duties; and
- ▲ assists in safeguarding Revenue Scotland's information assets.

Revenue Scotland has a Senior Information Risk Owner (SIRO) and a number of Information Asset Owners (IAOs), who provide assurance to the SIRO that proper controls are in place. 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.

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The IAOs are tasked with ensuring compliance with statutory duties, knowing what information assets they 'own' and what information they handle, along with the relevant security requirements, sensitivity, importance and protocols for sharing of information assets.

In addition, all staff are aware that they need to report any data breaches immediately to Revenue Scotland's IAO and SIRO. They are required to undertake regular training and information sessions. A refresh of the training sessions was completed mid-year and a schedule of workshops was held with each team on assuring our data.

During the year, there were four Information Commissioner's Office (ICO) Notifiable Incidents. The incidents related to six taxpayers and were reviewed by the Information Assurance Group and assessed by Data Protection Officer (DPO) and SIRO. A number of minor actions were agreed and implemented to reduce the risk of a re-occurrence.

Internal Audit

The Internal Audit service is provided by the Scottish Government's Directorate for Internal Audit and Assurance (DIAA). The Audit and Risk Committee reviewed and approved the audit plan produced by DIAA who present regular updates on progress of this plan to the Committee meetings.

During the year, DIAA completed audits on the following:

- ▲ Cheques and repayments;
- ▲ Conduct of reviews; and
- ▲ Assurance Map - Advisory Audit.

In terms of the overall assessment for each audit, 'substantial' assurance was awarded to the audit on conduct of reviews³ and 'limited' assurance was given to the audit on cheques and repayments. One high priority recommendation was made about the segregation of duties for repayments and further recommendations relating to cheques and repayments were medium priority (two) and low priority (one). Revenue Scotland welcomed and responded constructively to all recommendations.

Follow-up audits were completed on:

- ▲ Protecting Taxpayer Information;
- ▲ Enquiries and Penalties;
- ▲ Shared Services; and
- ▲ Review and Validation of Key Performance Indicators Framework.

Progress was made on the implementation of recommendations from these reports meaning that controls in these areas improved during the year.

³ 'Limited' assurance is where controls are developing but weak.

'Reasonable' assurance is where controls are adequate but require improvement.

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DIAA's overall annual assessment of Revenue Scotland's internal controls is 'reasonable'. This means that DIAA views Revenue Scotland's controls around risk management, governance, and control procedures as adequate, but requiring some improvement. This is a reduction on the 'substantial' assessment received last year. Progress on implementing Internal Audit recommendations has been steady but slower than expected. Most recommendations however, have been implemented during the year. The Audit and Risk Committee views the assessment as a fair reflection of Revenue Scotland's position based on the evidence reviewed by DIAA.

External Audit

External Audit is provided by Audit Scotland. Mark Taylor, Director of Audit is appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of Revenue Scotland. During the year, the Audit and Risk Committee scrutinised Audit Scotland's audit plan and received regular updates from them. Reporting on the 2019-20 Interim Audit, Audit Scotland identified several control weaknesses. Audit Scotland was content that Revenue Scotland's control environment was operating effectively for the Resource Accounts. As a result of COVID-19, and the control issues identified, Audit Scotland took limited assurance over the controls operating for the Devolved Taxes Accounts and took a substantive approach for the Devolved Taxes. Some less significant issues were identified and were discussed with management. Management welcomed the recommendations from Audit Scotland and actions have been agreed. The Independent Auditor's Report can be found on page 62.

Assessment of Corporate Governance

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.

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

Risk Management

I can report that a number of issues arose during a year, and during the period before signing of the Accounts.

- ▲ The programme to develop a new tax system (SETS) posed a number of significant risks, both to delivery of the new system and delivery of business as usual (BAU). In addition it was crucial to ensure data security through the transition from one system to another, and to support taxpayers and their agents; maintaining Revenue Scotland's reputation and relationships. The Programme Board, Senior Leadership Team and the Revenue Scotland Board provided scrutiny throughout. Delivery risks were successfully identified and controls put in place to manage these. In addition, the programme was subject to scrutiny through Gateway Reviews and a Digital First Assessment. The new system was launched on time and on budget in July 2019.

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BAU was maintained, and KPIs were generally maintained or improved compared to the previous year.

- ▲ It was identified that some compliance decisions reserved to 'Designated Officers' (DOs) had been taken by staff who had not been formally designated. I took action to identify the nature and scope of the issue, and sought assurance through Internal Audit and an independent expert to support this process. Controls have now been put in place to prevent reoccurrence, including more robust processes and specific training. This has also been incorporated into STEP training. A project was established to consider affected cases afresh and to contact the relevant taxpayers to inform them of the issue and the decision of the Designated Officer on their case. These cases are now complete.
- ▲ We have engaged in a number of significant tax litigation cases which placed a significant burden on a number of key staff from across the organisation.
- ▲ A decision of the Upper Tribunal for Scotland clarified the legislative process in respect of daily penalties notices. In consequence, Revenue Scotland's process of issuing one combined tax penalty notice ceased and instead two separate notices for different stages of the daily penalties processes were required. The issuing of daily penalties was suspended pending consideration and a change has subsequently been made to the LBTT legislation to resolve this issue. This suspension was extended as a result of COVID-19, and issue of penalties is expected to resume soon.
- ▲ At the end of the year, and in the subsequent period up until signing of the Accounts, Revenue Scotland was impacted heavily by COVID-19. Activity in 2019-20 was focused on putting in place governance arrangements to scrutinise the implementation of an Incident Response Plan and monitor organisational performance. Specific risks were identified, and controls put in place to manage them. Drawing upon previous experience from adverse weather events and Business Continuity Planning exercises, Revenue Scotland moved swiftly to a remote operating model, supporting staff and continuing to provide excellent service for taxpayers. In the period before signing of the Accounts, this governance and risk management has been incorporated into BAU and informs the current risk management framework. In addition, work has commenced on a project to use this experience of a completely remote operating model, to develop and implement plans to realise the benefits of both remote and office based working in future.

This past year has been a significant one for Revenue Scotland, with the successful delivery of the SETS system and the STEP programme, along with management of risks and issues arising through the year. I am confident that as issues have arisen they have been appropriately dealt with. However, this has had an impact on the resources available for some of the priorities set out at the beginning of the year.

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Corporate Governance Report

In particular, these resourcing pressures have had an impact on delivery of the LBTT Compliance Plan for 2019-20, due to the need to draw upon the expertise of key tax staff. This impact has been monitored by Management, and Compliance Plans are being reshaped to reflect this. The three-year window for tax enquiries means that while there has been a short-term impact on compliance activity, this need not have a longer term impact.

Engagement with staff also suggests that the scale of workload and priorities experienced during the year has also contributed to a lower Employee Engagement Index in the 2019 Civil Service People Survey (KPI 7) in 2019-20. In response to the People Survey results, an action plan has been co-produced with staff and changes have been implemented. The risk management framework for the organisation includes controls and actions in relation to staff engagement and this will continue to be monitored.

I have considered our response to issues and risks and the considerable pressures faced during the year. I can report that responses have been consistent with the organisation's frameworks of governance, planning and performance management, risk management, and incident response. Responses have identified, considered and mitigated where appropriate the potential impacts on; achievement of business objectives, regularity, propriety, openness, transparency and Value for Money (VfM), using an evidence-based, risk management approach.

I can report that, in July 2020, our risk performance has been assessed as "Managed" against the Risk Maturity Model provided for in the Revenue Scotland Risk Management Framework. This assessment means that the organisation's risk maturity has improved since last year and reflects a further integration of risk management practice and behaviours across the organisation, and a strengthening of risk governance by the Senior Leadership Team.

I have assessed our risk management arrangements and confirm that they accord with the guidance set out in the SPFM. In addition, as part of the year end Certificates of Assurance process the assessment of risk throughout the year contributes to the overall confidence assessment offered, further confirming that robust arrangements and practices were in operation throughout the year 2019-20.

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Corporate Governance Report

Parliamentary Scrutiny

As a Non-Ministerial Office, 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.

Revenue Scotland's Corporate Plan, supporting legislation and this annual report are published documents. The Corporate Plan 2018-21, on which this document reports, was approved by Scottish Ministers and laid before the Scottish Parliament in April 2018, and this report was laid before Parliament on 25 November 2020.

Both Corporate Plans, all annual reports and accounts and minutes of the Revenue Scotland Board meetings are available to download on our [website](#).

Accountability Report 2019-20

Remuneration and staff report

Remuneration

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

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

Revenue Scotland's Board members and co-opted Committee 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. Board remuneration is updated annually in line with Scottish Government Public Sector Pay Policy.

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Remuneration and staff report

Fees of Board members, co-opted Committee members and salaries of the Senior Management Team are shown below:

Non-executive Board	2019-20 Fees £000	2018-19 Fees £000
Dr Keith Nicholson, Chair	15-20	15-20
Lynn Bradley, Board member	5-10	5-10
Jean Lindsay, Board member (appointed 1 July 2019)	5-10	0
Martin McEwen, Board member (appointed 1 July 2019)	0-5	0
Jane Ryder, OBE, Board member	5-10	0-5
Ian Tait, Board member	0-5	0-5
John Whiting, CBE, Board member	5-10	5-10

Co-opted Committee Members	2018-19 Fees £000	2017-18 Fees £000
Steve Bruce (resigned 31 March 2020), Member of ARC	0-5	0-5
Simon Cunningham (appointed 1 November 2019), Member of ARC	0-5	0

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

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Remuneration and staff report

Senior Leadership Team		Salary £000		Pension Benefits to the nearest £1000		Total 2019-20	Total 2018-19
		2019-20	2018-19	2019-20	2018-19	£000	£000
Elaine Lorimer	Chief Executive	95-100	95-100	33,000	28,000	125-130	120-125
Stephen Crilly (1)	Head of Legal Services	50-55 (FYE 70-75)	70-75	22,000	31,000	75-80	100-105
Neil Ferguson (2)	Head of Corporate Functions	15-20 (FYE 70-75)	0	16,000	0	30-35	0
Andrew Fleming (3)	Head of Strategy & Corporate Functions	55-60 (FYE 75-80)	70-75	28,000	33,000	85-90	105-110
Mairi Gibson (4)	Head of Legal Services	0-10 (FYE 55-60)	0	3,000	0	10-15	0
Chris Myerscough (5)	Head of Tax	0-5 (FYE 65-70)	70-75	1,000	34,000	0-5	105-110
Michael Paterson (6)	Head of Tax	70-75 (FYE 70-75)	0	16,000	0	85-90	0

FYE = Full Year Equivalent

(1): Stephen Crilly moved to a new post outwith Revenue Scotland on 1 December 2019

(2): Neil Ferguson was appointed to the Senior Leadership Team on 6 January 2020

(3): Andrew Fleming moved to a new post outwith Revenue Scotland on 5 January 2020

(4): Mairi Gibson joined Revenue Scotland on 3 February 2020

(5): Chris Myerscough left the Senior Leadership Team on 16 April 2019

(6): Michael Paterson was appointed to the Senior Leadership Team on 8 April 2019

None of the above received any benefits in kind or bonus payments in the year 2019-20 or 2018-19.

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Remuneration and staff report

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.

Fair Pay Disclosure

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

The banded remuneration of the highest-paid member of the Senior Leadership Team in Revenue Scotland in the financial year 2019-20 was £95-100,000 (2018-19: £95-100,000). This was 2.9 times (2018-19: 3.1) the median remuneration of the workforce, which was £34,087 (2018-19: £31,692).

In 2019-20, no employee received remuneration in excess of the highest-paid member of the Senior Leadership team. Remuneration ranged from £19,000 to £96,000 (2018-19: £15,000-£97,000).

The median calculation includes directly employed staff paid through Revenue Scotland's payroll. It covers both permanent staff and those on fixed term contracts. It does not include temporary agency staff paid locally by invoice. The ratio is calculated as the mid-point of the highest band divided by the median total remuneration.

	2019-20	2018-19
Minimum Total Remuneration (£'000)	19	15
Maximum Total Remuneration (£'000)	96	97
Band of Highest Paid member of staff (£'000)	95-100	95-100
Median Total Remuneration (£)	34,087	31,692
Ratio	2.9	3.1

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Remuneration and staff report

Pension Benefits

Senior Management Team	Accrued pension at NRA as at 31 March 2020 and related lump sum	Real increase in pension and related lump sum at NRA	CETV as at 31 March 2020	CETV as at 31 March 2019	Real increase in CETV in 2019-20
	£000	£000	£000	£000	£000
Elaine Lorimer - Chief Executive	35-40 plus a lump sum of 85-90	0-2.5 plus a lump sum of 0	706	656	16
Stephen Crilly - Head of Legal Services (1)	25-30	0-2.5	324	306	9
Neil Ferguson - Head of Corporate Functions (2)	30-35	0-2.5	491	477	11
Andrew Fleming - Head of Strategy & Corporate Functions (3)	30-35 plus a lump sum of 70-75	0-2.5 plus a lump sum of 0-2.5	613	584	18
Mairi Gibson - Head of Legal Services (4)	15-20	0-2.5	285	275	1
Chris Myerscough - Head of Tax (5)	30-35 -plus a lump sum of 25-30	0-2.5 plus a lump sum of 0-2.5	656	653	1
Michael Paterson - Head of Tax (6)	35-40 plus a lump sum of 40-45	0-2.5 plus a lump sum of 0	704	667	6

(1): Stephen Crilly resigned from Revenue Scotland on 1 December 2019

(2): Neil Ferguson was appointed to the Senior Leadership Team on 6 January 2020

(3): Andrew Fleming resigned from Revenue Scotland on 5 January 2020

(4): Mairi Gibson joined Revenue Scotland on 3 February 2020

(5): Chris Myerscough left the Senior Leadership Team on 16 April 2019

(6): Michael Paterson was appointed to the Senior Leadership Team on 8 April 2019

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, pension administrators.

Accountability Report 2019-20

Remuneration and staff report

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 Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in

both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

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

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider

Accountability Report 2019-20

Remuneration and staff report

- Legal & General. 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.

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Remuneration and staff report

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.

No members of staff left Revenue Scotland under the scheme in 2019-20 or 2018-19.

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.

Accountability Report 2019-20

Remuneration and staff report

Average number of people employed

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

	Administration	Programme	2019-20	2018-19
Permanent contracted staff	59	7	66	59
Fixed-term contracted staff	2	0	2	2
Agency staff	11	8	19	10
Average number of persons employed	72	15	87	71

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

	2019-20		2018-19	
	Male	Female	Male	Female
*SLT - Senior Civil Servant	0	1	0	1
*SLT - other	3	0	2	1
Employees	43	40	32	35
Total	46	41	34	37

*SLT - Senior Leadership Team

Accountability Report 2019-20

Remuneration and staff report

Gender Pay Gap

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

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

In 2019 the gender pay gap for Scotland was 14.3% and 17.3% for the UK. This is the median figure which is the standard figure used by the Office of National Statistics to calculate the pay gap.

The median gender pay gap for all staff at Revenue Scotland at the end of March 2020 is 8.7% (2019: 8.5%).

This means that the gender pay gap at Revenue Scotland remains smaller than the national pay gap. This reflects the results of recruitment and promotions during the reporting year which have seen several women recruited or promoted into management roles.

Within Revenue Scotland, where men and women are undertaking work of an equal value (i.e. within the same pay range) they are paid a similar rate. The pay gap arises as a higher percentage of female staff are at lower grades than male staff, and the size of the organisation means that figures can be skewed easily by a small number of individuals.

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

Strategies in place include supporting staff to attend the 'Women in Leadership Conference' and encouraging staff to attend events run by the Women in Tax Network, requirements for staff involved in recruitment to undertake 'Unconscious Bias' training and support for flexible working patterns.

Sickness Absence

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

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

In 2019-20 an average of 11.5 working days per employee were lost (2018-19: 12.7 days).

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Remuneration and staff report

Employees with disabilities

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

Diversity and equality

Equality and diversity are central to the way that Revenue Scotland conducts its business and this is demonstrated in the Corporate Plan and People Strategy, as well as being set out in the Equality Mainstreaming Reports, more information about Equality and Diversity can be found on page 31.

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Remuneration and staff report

Health and Safety

A review of the health and safety policy was begun in 2019-20 and the revised policy finalised in 2020-21 and approved by the Board in October 2020. The new policy brings Health and Safety and Wellbeing closer together and recognising the importance of mental health.

The 2019-20 Health and Safety Annual Report sets out plans for the coming year and reports on risks and mitigations during the reporting year. A refreshed health and safety committee has been established to provide oversight and scrutiny.

The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) require that certain categories of accidents, occupational diseases and dangerous occurrences must be reported to the Health and Safety Executive (HSE). There were no incidents of any category reported in 2019-20.

Definitions for 'Occupational Disease' and 'Dangerous Occurrence' can be found on the [HSE Website](#).

Event Category	Definition	No of Incidents in 2019-20
Near Miss	Any incident, or event which does not result in injury, or property damage.	0
Accident	Any unwanted, or planned event which results in injury, or act if non-consensual violence.	0
Occupational Disease	Any case of work-related disease, as specified in RIDDOR	0
Dangerous Occurrence	Any dangerous occurrence, as specified in RIDDOR	0
Property Damage	Any incident or event resulting in damage to property	0
Other	For example, work-related stress (not to be confused with work-related illness).	0*

* We suppress all data below 10 to protect staff confidentiality.

Accountability Report 2019-20

Remuneration and staff report

Trade Union Representatives

The Trade Union (Facility Time Publication Requirements) Regulations came into force on 1 April 2017. One employee of Revenue Scotland was a relevant trade union official during the year during the period April to July 2019. The time spent on trade union activities represented 5.9% of the employee's total time during that period at a cost of £1,055.

Staff costs

	Administration costs		Programme costs	2019-20 Total	2018-19 Total
	Permanently employed staff £000	Others £000	Others £000		
Wages and Salaries	2,538	0	292	2,830	2,486
Social Security costs	278	0	31	309	265
Pension costs	674	0	76	750	523
Agency staff costs	0	508	1,192	1,700	1,290
Staff costs capitalised	0	0	(942)	(942)	(284)
Total staff costs	3,490	508	649	4,647	4,280



Accountability Report 2019-20

Remuneration and staff report

Staff costs for Revenue Scotland in the period 2019-20 are set out above. Wages and salaries include gross salaries, performance pay or bonuses received in year (of which there were none), overtime and any other allowance that is subject to UK taxation. The payment of legitimate expenses is not part of salary.

The costs of staff who have been working on the development of the new tax system have been capitalised as part of the cost of the asset.

Revenue Scotland employees are civil servants who are entitled to be members of the Civil Servants and Others Pension Scheme or the Principal Civil Service Pension Scheme. These schemes are unfunded, multi-employer defined benefit schemes in which Revenue Scotland is unable to identify its share of the underlying assets and liabilities. The schemes are accounted for as defined contribution schemes under the multi-employer exemption permitted in IAS 19 Employee Benefits. A full actuarial valuation of the PCSPS was carried out as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk).

For 2019-20, Revenue Scotland's contributions of £744,000 (2018-19: £519,000) were payable to the two schemes at one of four rates in the range 20 per cent to 24.5 per cent of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 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 £6,000 (2018-19: £4,000) 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

Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Revenue Scotland (Resource Accounts) for the year ended 31 March 2020 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 2019/20 Government Financial Reporting Manual (the 2019/20 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 2020 and of its net expenditure for the year then ended;
- ▲ have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 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 for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. 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 was appointed by the Auditor General on 9 March 2015. The period of total uninterrupted appointment is five years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

Independent Auditor's Report

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

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual report and accounts

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

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge

Independent Auditor's Report

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

obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

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

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

Independent Auditor's Report

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

Financial Statements 2019-20

Statement of Comprehensive Net Expenditure

For the Year Ended 31 March 2020

	Note	Administration Costs £000	Programme Costs £000	2019-20 Total £000	Restated 2018-19 Total £000
Staff costs	2	3,998	649	4,647	4,280
Purchase of goods and services	3	1,912	114	2,026	1,931
Depreciation	5	10	0	10	9
Amortisation	5	172	0	172	7
Provision	8	212	0	212	0
Net operating costs for the year		6,304	763	7,067	6,227

Financial Statements 2019-20

Statement of Financial Position

as at 31 March 2020

	Note	2019-20 £000	Restated 2018-19 £000
Non-current assets			
Tangible assets	5	44	54
Intangible assets	5	2,931	1,276
Total non-current assets		2,975	1,330
Current assets			
Other receivables	6	34	70
Total current assets		34	70
Current liabilities			
Provision	8	(212)	0
Trade & other payables	7	(778)	(725)
Total current liabilities		(990)	(725)
Total net assets		2,019	675
Taxpayers' equity		2,019	675

The notes on pages 70 to 84 form part of these financial statements.

The Chief Executive and Accountable Officer authorised these financial statements for issue on 20 November 2020

Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer

Financial Statements 2019-20

Statement of Cash Flows

For the year ended 31 March 2020

	Note	2019-20 £000	Restated 2018-19 £000
Cash flows from operating activities			
Net operating costs for the year	SoCNE	(7,067)	(6,227)
Adjustments for non cash transactions			
Audit fee	10	96	94
Depreciation	5	10	9
Amortisation	5	172	7
Movements in working capital			
(Increase)/Decrease in trade and other receivables	6	36	63
(Decrease)/Increase in provision	8	212	0
(Decrease)/Increase in trade and other payables	7	53	(216)
Net cash outflow from operating activities		(6,488)	(6,270)
Cash flows from investing activities			
Purchase of non-current assets	5	(1,827)	(1,228)
Net cash outflow from investing activities		(1,827)	(1,228)
Cash flows from financing activities			
Net funding	4	8,315	7,498

Financial Statements 2019-20

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2020

	Note	General Fund Reserves 2019-20 £000	Restated General Fund Reserves 2018-19 £000
Balance at 31 March		675	(690)
Net operating costs for the year	SoCNE	(7,067)	(6,227)
Non cash charges - auditor's remuneration	10	96	94
Net funding	4	8,315	7,498
Balance at 31 March		2,019	675

The notes on pages 70 to 84 form part of these financial statements.

Financial Statements 2019-20

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 2019-20 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 the 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 modified to account for fair value of non-current assets. 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 16 – Leases

We previously reported that this standard was due to come into effect for accounting periods commencing after 1 April 2020. However HM Treasury agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of this standard until 1 April 2021 due to circumstances caused by COVID-19. When implemented the distinction between finance and operating leases is removed and all leases become “on balance sheet”. The FReM interprets and adapts IFRS 16 for the public sector context in several ways. Information is currently being gathered to identify all right of use and leased assets not currently capitalised. The full impact has not yet been determined. These assets will be included on the statement of financial position from 1 April 2021, in accordance with the transition arrangements set out in IFRS 16 application guidance originally issued by HM Treasury in April 2019 and updated in March 2020.

Financial Statements 2019-20

Notes to the Accounts

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, Equipment and Intangible Assets

Recognition

All property, plant, equipment and intangible 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.

Assets under development

Assets under development are shown separately in note 5. Costs are accumulated until the assets is brought into use whereupon it is transferred into the relevant asset class and depreciated.

Staff costs

Where staff have been working on the development, integration and testing of IT software, these costs are included in the amounts capitalised.

Depreciation and Amortisation

Provision for depreciation and amortisation is made so as to write off the cost of non-current 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. Depreciation and amortisation are not charged on assets in the course of development until the month after they are brought into use.

The expected useful lives are as follows:

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

Asset Valuation

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

1.6 Financial instruments

As the cash requirements of Revenue Scotland are met through the Scottish Government, financial instruments play a limited role in creating and managing risk. 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.

Financial Statements 2019-20

Notes to the Accounts

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

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

1.9 Short-term employee benefits

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

1.10 Other receivables

Other receivables are stated at their nominal value.

1.11 Trade and other payables

Trade payables are stated at their nominal value.

1.12 Provisions for liabilities and charges

A provision is recognised where an outflow of resources is expected as a result of a past event. These are included within the accounts at the estimated value.

Financial Statements 2019-20

Notes to the Accounts

2. Staff Costs

	2019-20 £000	2018-19 £000
Wages and salaries	2,830	2,486
Social Security costs	309	265
Pension costs	750	523
Agency costs	1,700	1,290
Less staff costs capitalised	(942)	(284)
	4,647	4,280

More details on staff numbers and related costs can be found in the Remuneration and Staff Report on page 48.

Financial Statements 2019-20

Notes to the Accounts

3. Goods and services

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

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

	Administration costs £000	Programme costs £000	2019-20 Total £000	2018-19 Total £000
Staff related costs				
Board fees & expenses	55	0	55	38
Travel & subsistence	46	3	49	40
Training	62	0	62	64
Recruitment	2	0	2	11
Supplies & services				
Legal	169	7	176	75
Computer & telephone	321	45	366	252
Shared services (1)	347	0	347	334
Delegated duties (2)	594	0	594	670
Other supplies & services	220	59	279	353
Audit fee – external (see note 10)	96	0	96	94
Total goods & services	1,912	114	2,026	1,931

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Notes to the Accounts

(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, Information and Library Service;
- ▲ Estates and facilities management;
- ▲ Internal audit; and
- ▲ Procurement.

(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.

Financial Statements 2019-20

Notes to the Accounts

4. Reconciliation of net resource outturn to net funding received

	Notes	2019-20 £000	2018-19 £000
Resource outturn	SoCNE	7,067	6,227
Capital outturn	5	1,827	1,228
Non cash charges - auditor's remuneration	10	(96)	(94)
Depreciation	5	(10)	(9)
Amortisation	5	(172)	(7)
Changes in working capital	SoCF	(301)	153
Net funding		8,315	7,498

The restatement of 2018-19 follows from the capitalisation of a telephone call management system which had been expensed in error in 2015-16 (Note 11).

Financial Statements 2019-20

Notes to the Accounts

5. Non-current assets

Tangible Assets

	Furniture & Fittings	2019-20 Total	2018-19 Total
	£000	£000	£000
Cost			
At 1 April 2019	76	76	76
Additions	0	0	0
At 31 March 2020	76	76	76
Depreciation			
At 1 April 2019	22	22	13
Charged in the year	10	10	9
At 31 March 2020	32	32	22
Asset financing			
Owned	44	44	54
Carrying amount at 31 March 2020	44	44	54

Financial Statements 2019-20

Notes to the Accounts

Intangible Assets

	IT System under development	IT System	Telephony	2019-20 Total	Restated 2018-19 Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2019	1,228	0	70	1,298	70
Additions	1,827	0	0	1,827	1,228
Transfers	(2,731)	2,731	0	0	0
At 31 March 2020	324	2,731	70	3,125	1,298
Amortisation					
At 1 April 2019	0	0	22	22	15
Charged in the year	0	165	7	172	7
At 31 March 2020	0	165	29	194	22
Asset Financing					
Owned	324	2,566	41	2,931	1,276
Carrying amount at 31 March 2020	324	2,566	41	2,931	1,276

The balance shown as being for the IT system under development at 31 March 2020 had been incurred prior to the year end but relate to a system update which was implemented into the live system after 31 March 2020.

The restatement of 2018-19 and 2017-18 follows from the capitalisation of a telephone call management system which had been expensed in error in 2015-16 (Note 11).

Financial Statements 2019-20

Notes to the Accounts

	IT System under development	IT System	Telephony	Restated 2018-19 Total	Restated 2017-18 Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2018	0	0	70	70	70
Additions	1,228	0	0	1,228	0
At 31 March 2019	1,228	0	70	1,298	70
Amortisation					
At 1 April 2018	0	0	15	15	8
Charged in the year	0	0	7	7	7
At 31 March 2019	0	0	22	22	15
Asset Financing					
Owned	1,228	0	48	1,276	55
Carrying amount at 31 March 2019	1,228	0	48	1,276	55

At 31 March 2019 the IT system was in the course of development and went live in July 2019.

Financial Statements 2019-20

Notes to the Accounts

6. Other receivables

Amounts falling due within one year:	2019-20 £000	2018-19 £000
Prepaid expenses	32	61
Sundry debtors	2	9
Total receivables within one year	34	70

7. Trade and other payables

Amounts falling due within one year:	2019-20 £000	2018-19 £000
Trade payables	108	7
Social security and payroll related	155	138
Accrued short-term employee benefits (see note 1.9)	122	127
Other accruals	393	453
Total payables within one year	778	725

Financial Statements 2019-20

Notes to the Accounts

8. Provision for liabilities and charges

	2019-20 £000	2018-19 £000
Balance at 1 April	0	0
Provided in the year	212	0
Balance at 31 March	212	0
Analysis of timing	2019-20 £000	2018-19 £000
Not later than one year	212	0

As reported under Key Issues and Risks on page 11 in respect of certain compliance decisions, this provision relates to the potential reimbursement of taxpayers' legal fees incurred in preparation for tribunal hearings where Revenue Scotland withdrew prior to a hearing taking place.

9. Related party transactions

Revenue Scotland is a non-ministerial office 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.

Dr Keith Nicholson, Chair of Revenue Scotland, was a board member of SEPA until 31 December 2019.

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

Financial Statements 2019-20

Notes to the Accounts

10. Audit fee

The following charges have been included in the accounts:

	2019-20 £000	2018-19 £000
Auditor's fee - resource accounts	21	21
Auditor's fee - devolved taxes account	75	73
	96	94

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 2019. 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 2020.

11. Prior Year Adjustment

In 2015-16 a telephone call management system was purchased at a cost of £69,600 and was expensed in that year's financial statements in error. This system is estimated to have a useful life of 10 years. The financial statements have therefore been restated for prior years to reflect the capitalisation of this intangible asset and its associated amortisation as follows:

Summary of the prior year accounting impact	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000
Reduction in expenditure on goods and services	(70)	0	0	0
Increase in amortisation	1	7	7	7
Change in Net Expenditure	69	(7)	(7)	(7)
Taxpayer's equity as reported			(745)	627
Cumulative change in Taxpayers Equity	69	62	55	48
Taxpayers equity restated			(690)	675

Financial Statements 2019-20

Notes to the Accounts

12. Commitments

Total future minimum payments under contractual commitments are given in the tables below for each of the following periods:

Revenue Commitments

	2019-20 £000	Restated 2018-19 £000
IT Systems		
Not later than one year	303	272
Between one and five years	1,159	1,054
Beyond five years	942	1,374
	2,404	2,700

The amounts above are in relation to the contracts for the provision of Revenue Scotland's tax and finance systems. The contract for the original SETS tax system expired in August 2019. The new system went live in July 2019 and the contract will expire in 2029. The contract for the finance system expires in December 2020 although there is an option to extend for two years.

Amounts for 2018-19 have been restated as irrecoverable VAT had been excluded.

Amounts charged in 2019-20 of £325,000 (2018-19: £182,000) are included within computer and telephone costs in note 3 above.

Financial Statements 2019-20

Notes to the Accounts

Capital Commitments

	2019-20 £000	2018-19 £000
IT Systems		
Not later than one year	103	513
	103	513

The above amount is in relation to developments to the tax system agreed prior to March 2020.

Accounts Direction



Scottish Government
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REVENUE SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

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

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

Signed by the authority of the Scottish Ministers

Dated 20 April 2016

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