



OFFICIAL REPORT
AITHISG OIFIGEIL

Finance and Public Administration Committee

Tuesday 5 December 2023

Session 6



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FINANCE AND PUBLIC ADMINISTRATION COMMITTEE
32nd Meeting 2023, Session 6

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*Michael Marra (North East Scotland) (Lab)

COMMITTEE MEMBERS

*Ross Greer (West Scotland) (Green)

*Jamie Halcro Johnston (Highlands and Islands) (Con)

*John Mason (Glasgow Shettleston) (SNP)

*Liz Smith (Mid Scotland and Fife) (Con)

*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Elaine Lorimer (Revenue Scotland)

Aidan O'Carroll (Revenue Scotland)

CLERK TO THE COMMITTEE

Joanne McNaughton

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Tuesday 5 December 2023

[The Convener opened the meeting at 09:30]

Revenue Scotland

The Convener (Kenneth Gibson): Good morning, and welcome to the 32nd meeting in 2023 of the Finance and Public Administration Committee. We have one public item on the agenda, which is the first annual evidence-taking session with representatives from Revenue Scotland on how it fulfils its functions. We are joined by Elaine Lorimer, Revenue Scotland's chief executive, and Aidan O'Carroll, its chair.

Before I wish the witnesses good morning, I should say that I was privileged to be invited to host a reception for Revenue Scotland in committee room 3 a couple of weeks ago. I thought that it was a very successful and enjoyable meeting. I was sorry that Elaine Lorimer was unable to make it that night due to illness, because she missed a very interesting event.

I invite Aidan O'Carroll to make a short opening statement.

Aidan O'Carroll (Revenue Scotland): Thank you very much, convener, and thank you, again, for sponsoring that event. It was much appreciated.

Thank you for the invitation to join the committee this morning. This is the first time that we have appeared before the committee in this way, and we very much welcome the opportunity to discuss all aspects of Revenue Scotland's performance. Today's discussion is an important part of our governance, as we are accountable to the Scottish Parliament, which set up Revenue Scotland in 2015. It is my privilege to represent Revenue Scotland's board today, alongside our chief executive and accountable officer, Elaine Lorimer.

Revenue Scotland is currently responsible for the management and collection of two fully devolved taxes: land and buildings transaction tax and Scottish landfill tax. Since its inception, Revenue Scotland has collected more than £6 billion in revenues that have stayed in Scotland to support public services. We are proud that we have managed to deliver that in an efficient and effective way, with a 99 per cent digital return and collection rate and costs below 1 per cent of the taxes collected.

With the publication of our latest annual reports and accounts—both the devolved taxes accounts and the resource accounts—we are pleased to report continued progress across the four pillars of our current corporate plan, which covers the years 2021 to 2024. Those pillars are excelling in delivery, investing in our people, reaching out and looking ahead. That progress has been achieved through challenging times as we came out of the pandemic, and it is testament to the quality and commitment of the great team of people that we have at Revenue Scotland.

Although we might be a relatively small team in overall numbers, we more than make up for that with a depth of expertise, a desire for continuous learning and a commitment to working with others outside of Revenue Scotland to deliver the best service that we can. Indeed, in the latest people survey, which is filled in by people across the whole civil service, Revenue Scotland scored consistently highly in a large number of key areas that were tested, including leading and managing change, inclusion and fair treatment, and clarity on our purposes and objectives. We look forward to taking on further responsibilities with the introduction of the Scottish aggregates tax and the building safety levy, and we will continue to work closely with our local government colleagues as they move towards the implementation of the visitor levy.

Looking ahead, I note that it will be vital that Revenue Scotland continues to take advantage of, and invest in, the most effective digital technology and solutions. That is what will keep us highly efficient in the way that we operate. We must continue to seek better ways of capturing and using the important data that we collect as part of our responsibilities. By keeping a digital-by-design mindset and doing that safely and effectively, we can be confident of keeping our operational costs as competitively low as possible, and we will collaborate with others across the Scottish Government and elsewhere to ensure that we continuously improve the way in which we deliver our services.

Next spring, we will lay before the Parliament for its scrutiny and approval our next corporate plan, which covers 2024 to 2027. Given that the plan covers a period in which it is recognised that Government funding for its programmes will be under unprecedented pressure, it is vital that Revenue Scotland plays its full part in delivering the tax revenues that we will be responsible for in the most effective and efficient way. That will always be our primary focus, and we are keen to share our experiences with others, as we all have to continue to improve the efficiencies and effectiveness of our services. Collaboration will be key, and it will remain the cornerstone of all aspects of our operations. We will continue to

reach out to all stakeholders who are in some way engaged in the tax systems in Scotland, and we will maintain our commitment to training the very best professionals as we continue to build our capabilities and expertise as your tax authority.

Finally, I would like to record my thanks and the thanks of the board to our senior leadership team and all staff at Revenue Scotland for their continued dedication and professionalism. We can all be very proud of that as we move towards our ninth anniversary, and we can look forward with a high level of confidence to addressing the challenges ahead by aspiring to be an exemplar organisation that the public at large can rely on.

Thank you again for the opportunity to engage with the committee. We genuinely look forward to our discussions this morning.

The Convener: Thank you for that opening statement, Aidan. It is hard to believe that it is almost a decade since the Revenue Scotland and Tax Powers Act 2014 was passed—I recall all the deliberations and discussions at that time.

It is also astonishing that this is the first time that you have been in front of the finance committee, but you have certainly made up for it with the tone of your annual accounts, which I and colleagues have been wading through. I have to say that it has all been very positive but obviously we have a number of questions for clarification. The answers to some of the questions that we will ask will be in your report, but it is important to get them on the public record.

At the end of your opening statement, you talked about staff. I notice that staff numbers have increased from 76 in 2021-22 to 83 in 2022-23. Can you tell us why that is?

Elaine Lorimer (Revenue Scotland): I can take that question.

In the past financial year, we have started work on the Scottish aggregates tax. We required to bring in people who could dedicate their time to that, so we set up a small programme team in Revenue Scotland and moved some of our existing staff into it, to begin to focus on developing the bill. We have been working on that alongside Scottish Government colleagues; it is the responsibility of ministers and policy colleagues to bring the bill forward, but it was important to us to get in early to offer our expertise on the bill's content. That is the primary reason for the small staffing increase.

The Convener: The work that you are doing on compliance activity brought in some £10.4 million, but I note an increase in the total amount of penalties and interest collected in the current year of £2.065 million, compared with £1.245 million the

preceding year. Can you clarify the reason for such a significant jump?

Elaine Lorimer: Yes. There are two separate issues in that regard, the first of which is around our compliance yield and the other around the issuing of penalties. There was a delay in issuing penalties during the Covid pandemic. At that time, our board took the decision that it would not be fair on businesses—and, indeed, on individual taxpayers—to issue penalties over the pandemic period. However, once businesses started to get back to working and society started to open up again, we took the decision that we had to begin to reissue our penalties. That is the primary reason for the increase in the penalties that you see in the report.

In relation to the compliance yield, we as an organisation have been building our expertise in compliance over the years, and we have had a number of significant successes, if I can call them that. For a tax authority, it is a success if it brings in additional yields as a result of careful compliance work, and what you see in that circa £10 million figure is our bringing to a conclusion a number of cases that we have been working on over the years. Those are additional revenues that have come in to Scotland or, indeed, revenues that are protected; in other words, we have been in debate with the taxpayer and have come to a conclusion that they have accepted, which has allowed us to protect revenues rather than pay them back. The additional revenue is a mixture of the two.

The Convener: That is certainly very positive.

I have been looking at the corporate governance report. One of society's big concerns these days is cybercrime, and I note that your accountability report indicates:

"During the course of the year, there were eight issues relating to minor data losses, which were reported and dealt with internally."

It goes on to say that those losses

"were resolved quickly, and mitigations put in place."

Has the potential occurrence of further and more serious data breaches set off alarm bells for Revenue Scotland? What is the organisation doing to ensure that that does not happen in the future?

Elaine Lorimer: There are two issues here: cyber and information security. The minor data breaches that we have reported on transparently resulted from minor administrative errors that our staff made over the course of the year, rather than cybercrime. For example, they might have sent an email meant for a particular solicitor to another with a similar name acting on behalf of the client. That is the type of administrative error that we are talking about.

Revenue Scotland has strong and strict controls for data security. From the very beginning, it has been absolutely baked into our ethos, because the individuals who are working in Revenue Scotland have strict responsibilities to protect taxpayer information. In fact, I could go to prison if I released the name of a taxpayer without their consent. Therefore, you can imagine the culture that we have within our organisation. Our staff are highly trained to be able to recognise when an error has been made, and we have a culture of not blaming people. I am confident that the number of data incidents that we have had over the course of a year is minor in the context of the volume of work that we are dealing with.

Once somebody has raised a concern internally about a breach, we investigate it—there are people in the organisation who will do that for us—and we then take a view whether it is of such a nature that it requires to be reported to the Scottish Information Commissioner. Of the data concerns that we had over the past year, none reached that threshold. All were dealt with quickly and promptly and resolved without on-going complaint as a result. That is an indicator of a mature organisation. Mistakes will happen, but it is how you deal with them that matters.

I am sure that Aidan O'Carroll will want to come in on the cyber issue, because the board has, as you would expect, taken a real interest in it. Cybersecurity is on our strategic risk register; it is one of our highest category risks, as you would expect from an organisation that is digital. We have a low-risk appetite with regard to tolerating any form of breach, and we have strong controls in place with all of our suppliers for the digital services that we rely on to meet high standards of cybersecurity governance, which we check for.

Moreover, within our organisation, we run regular business continuity testing. It will not surprise the committee to learn that, because cyber is one of the highest risks that we monitor, the organisation has run business continuity exercises on a potential cyber breach. We have built in further controls, not so much for the management of our suppliers but in relation to how we would respond as an organisation, should a data breach occur.

At this point, I will hand over to Aidan O'Carroll, as the issue is of real interest to the board.

Aidan O'Carroll: I reassure everyone that cyber remains a top priority for the board, and it is also looked at continuously by our audit and risk committee. We ensure that we get internal audit to regularly review the areas, and we continue to reach out to ensure that we have the right cyber resilience. We are looking at what the Scottish Government is doing more broadly to ensure that we are complying and that we are thinking ahead with

regard to whether we can get further external verification for what we might do in addition to what is required within the normal parameters.

An example of that would be the regular penetration testing that we want to get done and which we will continue to carry out. Indeed, it is an area that keeps us all awake. It affects not just Revenue Scotland, but it will be a continuous threat to our organisation. We must remain totally vigilant about that. Our annual report and accounts give some examples of what we are doing to remain resilient and to ensure that we keep our status as high as possible.

09:45

The Convener: I am curious about your financial statement of cash flows in the devolved taxes account. At the bottom of page 26, there is mention of the

“analysis of changes in net funds”.

I am not really sure what that means. Can you explain that a wee bit? For example, on 31 March in tax year 2022-23, the figure was £61.935 million, but the following day it was £66.696 million. It is interesting that the net funds on 31 March in 2022-23 and in 2021-22 are about £61 million and £67 million, but there is a huge difference—of a factor of 10—between the net funds on 1 April in 2022-23 and those on the same date in 2021-22. Can you explain what those figures relate to and what they mean?

Elaine Lorimer: My apologies—I am finding the right note.

The Convener: Our accountant, John Mason, is waiting to come in after I am finished.

Elaine Lorimer: We might need to write to you with some information if I am not able to answer that question in the way that you might hope.

Right—I have found it. Thank you for your patience. This is about the transfer of funds backwards and forwards between the consolidated fund and the Scottish Government and is connected to the position at the end of the year. We work on an accruals basis, and this is to do with where we were at on 31 March and what we were due to accrue from revenues to be received beyond 31 March. It relates to tax returns that had come in by 31 March, although the revenues had not been received. It is about the cash that we essentially had—

The Convener: Excuse me, but I notice that you are looking at John Mason even though he did not ask the question.

Elaine Lorimer: My apologies, again. He was looking intently at me.

The Convener: He just got a mention as our accountant.

Elaine Lorimer: That is what it is about: it is to do with where we are at the end of the financial year and the fact that we still accrue revenues beyond the end of the financial year relating to the financial year that has just closed.

The Convener: But why is the figure only £6.7 million on 1 April in the year 2021-22, and more than £66 million on the same date a year later, when the net funds appear to be pretty similar? I am just wondering why that was.

Aidan O'Carroll: We should probably write to you to clarify that. It is probably to do with the working days on which funds are actually transmitted. It might well be that, for example, funds were transmitted in 2021-22 at the close of a Friday, whereas we might have had funds that were waiting to be transmitted but could not be transmitted until after the year end date in 2022-23. We should clarify that and get back to you.

Elaine Lorimer: We will write to you about that if everyone is content for us to do so.

The Convener: That is absolutely fine.

In the same document, note 1.4 about the devolved taxes account 2022-23 deals with the tax gap. I am interested in that, because it says:

"The theoretical liability represents the tax that would have been paid if all individuals and companies complied with both the letter of the law and Revenue Scotland's interpretation of the intention of the Scottish Parliament in setting law (referred to as the spirit of the law)."

When the relevant bill was being put together a decade or so ago, the idea of the spirit of the law was very important in trying to avoid creating loopholes such as those that can occur in UK taxation. How much do you estimate the tax gap to be? It might be in the figures somewhere, but I had a wee look and could not find it in your accounts.

Elaine Lorimer: The tax gap is not something that we calculate; it would be impossible for us to calculate it. As I understand it, there has been lots of research over the years about whether there is a reliable figure for the tax gap. There are too many uncertainties in trying to calculate it.

I will say, though, that our compliance work gives evidence that there are areas in our legislation that are—shall we say?—open to interpretation. Part of our rigorous work on compliance is to try, on a risk-based basis, to bring in as much as we can that we identify as being properly due, according to our legislation.

Revenue Scotland does not calculate a tax gap. It would be pretty much impossible for us to do that for our taxes. Instead, we work hard to identify

potential risks that are associated with our legislation. We follow transactions as they come through, and we take a view on which areas in our legislation, or which transactions, we should focus our compliance efforts on. We take that approach across both of our taxes.

Because we now have a number of years of experience, we are also identifying, as you would expect, areas in which we would like our legislation to be clarified. In recent years, we have had the opportunity to do that. The Scottish Landfill Tax (Prescribed Landfill Site Activities) Amendment Order 2022, which Parliament passed last year, was important to us because it helped to clarify our understanding of the particular set of provisions on landfill tax. As an organisation, we have called for a while for a reasonably regular opportunity for Parliament to take a view on whether the devolved taxes legislation requires to be updated.

Because we now have experience, we have a list of things that we would like to be changed in our legislation, many of which I would class as very technical. They are not particularly interesting to the lay observer, but are important to the organisation because the changes would clarify positions or help us with what we put in our guidance for taxpayers.

The Convener: I asked about it because the tax gap is one of the contentious issues. I was looking for a ballpark figure; I was not looking for you to say that it is £10.3 million or £4.5 million. Is it about 1 or 2 or 3 per cent? If we do not know what the gap is, it is hard to tackle it. I know from your accounts that more than 99 per cent of the money that is due is being collected, but it seems to me that there might be a gap outside of that.

Elaine Lorimer: That is exactly right. The 99 per cent relates to the fact that our taxes are self-assessed. It reflects taxpayers having come forward, submitted their returns and paid.

Our compliance work is about those who are not complying—who have not submitted a return, or have submitted a return but have not, we believe, applied the correct interpretation of our legislation on how much tax is due. Aidan might want to come in on the tax gap.

Aidan O'Carroll: The Scottish Fiscal Commission tries to undertake work on that, as well. Revenue Scotland provides as much information to the Scottish Fiscal Commission as we can, so that, looking forward, the commission can do its own estimations of where the revenues and the revenue cycles are going, and any estimation on the extent to which there is a tax gap.

The fact that the tax is self-assessed—so that we are clearly reliant on the taxpayers submitting

their returns and on us being as efficient and effective as possible in processing returns and collecting tax—means that we are not in a position to estimate a tax gap. However, we can share information on the compliance activity that we are doing and on the areas that we need to respond to quickly if we feel that there are loopholes that some taxpayers might be using—as was the case with landfill tax, as opposed to the LBTT. We can try to ensure that the gaps and loopholes are closed, so that there is no loss to the exchequer.

The Convener: I must apologise for shuffling my papers while you were speaking; I was listening to you, but I was trying to find a specific page that I cannot seem to find in this massive tome. I annotated the pages that I was going to ask questions on last night, but I seem to have missed that one out, so I apologise for my ceaseless footering.

I cannot find the page, but the question is about your capital plan. If I remember correctly, it seems that you will invest something like £787,000 in capital during the next year, which is an increase from more or less zero during the past year or two. Can you talk us through that investment and tell us what you intend to deliver with it?

Elaine Lorimer: Yes. First, it is important for us to have access to capital to be able to invest continually in our tax system, to build in improvements that are based on feedback that we get and to assist us in becoming even more efficient.

Some of the investment that we have brought to bear in the past financial year has been to increase efficiency internally, but it has also been for a particular project on improving what the taxpayer's agent can see when they log in to our system. We have introduced a dashboard, for example, so that when they log in they can see what outstanding tax is due. They can also see whether there are any penalties still waiting to be paid by their clients. Investment in our system has always been primarily either to improve our efficiency or to improve our accessibility. That applies to our main tax system.

We did some other things during the past year. The contract for our finance system was due for renewal—our finance system is separate from our tax system—so we renewed that and it came in considerably under budget from what we had expected. Nonetheless, that scored towards capital. We have improved our website. We have moved it on to a more secure footing and it is now cloud-based. That required some capital.

We have done a mixture of things that are designed to support our efficiency, but—which is probably more important—we have done things to support accessibility in our systems and

information for agents and taxpayers, so that they can understand their obligations and submit accurate returns, which means that we do not have to do compliance work on it.

The Convener: I am delighted to see how much you have been able to achieve with a fairly modest capital investment, given that Parliament spent more than £3 million updating its website to, in my view, a ropier system; however, we will not go into that, at this moment in time.

You are focusing on digitalisation. Do you have an issue with people who are not digitally included? I would not have thought that you would have a lot of that, given how house-buying operates now, but you must have some.

Elaine Lorimer: The organisation was set up with the intention of its being wholly digital, but obviously there are people in society who are digitally excluded for one reason or another. We used to accept paper returns and we used to accept cheques because there were still people who wanted to pay taxes by cheque. Covid and the pandemic meant that we had to move our whole organisation to remote working, which gave us the opportunity to look once again at the policy. We engaged with the Law Society of Scotland, the Institute of Chartered Accountants of Scotland and other stakeholders, and we were able to reduce the number of tax returns by paper by introducing a new policy, which was that we would accept paper returns and would give people support in submitting a paper return if they needed it. The people who did that are now in a category that we class as having enhanced needs or requiring enhanced support, as opposed to our having given everybody, irrespective of their needs, the choice whether to submit by paper or digitally. I am pleased to say that we have also been able to remove the need for payment by cheque.

10:00

One of the innovations that we introduced in the previous financial year is a new enhanced support policy, which I am pleased to say has been widely welcomed by a range of groups that represent people from a disability or age perspective. We engaged with a number of groups in society on developing the policy, under which we now have staff who are trained to support folks who are looking for support, perhaps because they cannot understand our website and the information on it, and genuinely want to speak to somebody at the end of a phone who will help them. I am pleased to say that people have been using that service, and it has been well received.

The Convener: Thank you for that clarification.

My last question is on the information on page 38 of the resource accounts document, which is

on performance analysis. I was pleased to see that, between 2016 and 2022, the 10 categories that you have, from “Leading and Managing Change” through to “Engagement Index”, have all improved significantly. However, there is variation in improvement. For example, you are sitting at 61 per cent for “Pay and Benefits”, compared with 92 per cent for “My Team”. I am not really sure what “My Team” relates to. Can you explain that graph and set out the progress that has been made and that you plan to make?

Elaine Lorimer: That information is based on the results of the annual people survey. The people survey is constructed along themes—“My Team” is one of the themes. Within that, staff are invited to answer a range of questions. For example, there might be statements such as, “I feel connected to my team”, “My team supports me when I need assistance with my work” or, “My line manager is visible.”

Over the course of time Revenue Scotland has invested a lot in engagement with our staff and in support of and learning and development for staff. We have, in recent years, placed a lot of emphasis on supporting line managers, giving them access to learning and development and encouraging them to work ever more closely with their teams. That has borne fruit, and you will see the results in our people survey. There is always room for improvement, however.

The Convener: “Pay and Benefits” seems to be the one where people are looking for the most improvement, surprisingly.

Aidan O’Carroll: I was just going to say that, in every survey, whether it is a civil service survey or otherwise, the lowest overall satisfaction score is always on pay and benefits. We ensure that we do a read-across to all other Government departments to see whether we are an outlier in a negative way and, if so, we consider how to go about addressing that specifically.

Elaine Lorimer: Overall, we are pleased with the progress that we have made in our people survey results. I am conscious that the staff survey is conducted at a moment in time but, nonetheless, we were ranked in the top 25 in the civil service in the UK, with over 100 organisations participating. We are really pleased with the results from last year, and we await the results from this year’s survey, which will be out in the next week or so.

The Convener: So you are hoping for further progress, and are planning for and working towards that.

Elaine Lorimer: Yes—but we shall see.

The Convener: Okay. I have hogged the floor enough. I open up the session to colleagues.

Michelle Thomson (Falkirk East) (SNP): Good morning, and thank you for joining us. To pick up on a point that the convener made, I never have any difficulty finding the stats, because I simply search for the key item on my laptop. Such are the joys of digital technology, convener.

I want to pick up on cybersecurity and, in general, ask about your assessment of the challenges and opportunities brought about by artificial intelligence. One of the challenges is that, in general terms, none of us knows. Specifically, I would make the case that the public sector is not at the cutting edge. What assessment have you made of the advent of AI, and particularly the sensitivities around data that you have outlined? What challenges do you see, how are you addressing them and what are the opportunities?

Aidan O’Carroll: I can kick off on that. Again, it is a really important area for us. We continue to look forward—and not just from a practical perspective. We look at areas that would lend themselves to better automation, which are typically the more repetitive tasks. An example of that would be a more automated approach to issuing penalty notices.

As you go through the process of automation, typically, you would use some form of robotics to improve automated processes. You then look at where the market is going more generally with AI, which tends to be more in relation to predictive analytics. We have put together a team internally to look at our overall data maturity and how we can ensure that we get the best out of our existing systems and improve those systems. We are engaging with external parties, including the main provider, NEC Software Solutions, with regard to what it is seeing in terms of iterations and the potential use of AI. I use the term “AI” in a broad sense because it can mean so many things.

More importantly for us, we will look at the automation benefits. We are bringing that to bear as we look at things such as the Scottish aggregates tax and engage with the industry to ensure that it is as ready as we will be to take a fully automated approach to ensuring that the self-assessment that will apply in that regard is done systematically.

The challenge with AI will be ever present, not just for Revenue Scotland but for all non-departmental bodies. It is both a threat and an opportunity. We need to ask whether there is anything that we have to be even more vigilant about when it comes to cyber resilience in relation to the potential impact of AI, particularly with regard to penetrating our systems. However, equally, is there an opportunity for us to refresh the systems that we have in order that they can start to help with predictive data? We could then look at that data and share it and the data insights,

not just in Revenue Scotland and with the Fiscal Commission but with others, where that data could be important.

It is early days, but we continue to resource that internally to ensure that we are growing our internal expertise. However, it is just as important that we reach out and look at what is happening, and one of the main areas in that regard is having that engaged discussion with our main provider, NEC.

Elaine Lorimer: We have to be open to the possibilities, but cautious. I would not want our organisation to be trailblazing in the use of AI. I would rather that our organisation was open to the possibilities and really curious about it but prudent and cautious. Because of the nature of our work, we are not going to be the pathfinder organisation for the use of AI.

However, as Aidan O'Carroll said, we are really interested in the use of automation. Some of the improvements that we are bringing into our systems this year, using our small capital budget, are around automating some aspects of our penalties processes. However, in our use of automation, we must be careful about the fact that a number of key facets of our legislation require us, as a tax authority, to exercise judgment. Therefore, we can never have a situation where a machine is exercising judgment that the courts would expect an individual to exercise. That is why we are focusing more on routine processes that can be automated. Where there are aspects of our decision making around inquiries or assessments, we will always need to have an individual making the decision.

Michelle Thomson: In part, you have answered one of my follow-up questions about the external assessment. You mentioned your software provider but, again, its view is only as good as its view of the world, and part of the challenge is the exponential speed of change. Would you consider consulting wider expertise? Do you have that in your sights?

Elaine Lorimer: Yes. We are already doing that. Our digital lead is very plugged into the digital team in the Scottish Government and also to the leaders in the field in the United Kingdom Government. We are very plugged in from a governmental perspective and we are also genuinely interested in what is going on in industry.

We are fortunate to have representation on our board through Idong Usoro, who is one of our board members and a digital expert. In our approach to AI we are definitely making use of his connections and understanding. Being plugged in at the governmental level is obviously important

for us and we are also interested in exploring more broadly.

Finally, as an organisation, we also set up the British Isles tax authorities forum. That is a long mouthful but, in essence, it brings together the tax authorities from across the British Isles. It is named that way in order to include Jersey, Guernsey and the Isle of Man as well as His Majesty's Revenue and Customs, the Welsh Revenue Authority and ourselves. A lot of the discussion that we have when we come together—which we do two or three times a year—is around developments and technology that we, as tax authorities, can benefit from and the pros and cons of those.

We are as connected as we can be, given our size.

Michelle Thomson: You have led me on to another issue, perhaps inadvertently. I want to ask you about equalities. Like the convener, I have read through your corporate governance report and I know that equalities is an area that you are required to be cognisant of. However, of the seven people on your board, I note that one is a woman and six are men. I can see that your senior management team is equally split. I also did a wee search on the use of the word "woman" in your corporate governance report, but I was not able to find any mention of it.

You will know that we generally have a significant issue with lack of representation of women in financial services. What are your plans to make the board more equitable? What is the split on your risk and audit committee, which is a classic committee that normally never has an equitable split?

Aidan O'Carroll: The audit and risk committee is made up of three individuals, who are all male. That would therefore align with the statement that you made.

Michelle Thomson: Alas, you have proved my theory correct.

Aidan O'Carroll: We had a recent recruitment for board members and brought on three new board members. That recruitment followed the public appointments process to the letter, with the Commissioner for Ethical Standards in Public Life represented to ensure that it was a fair and valid process and that it focused on merit. I am delighted with the experience of the individuals that we have recruited on to the board. I am nonetheless acutely aware of the gender imbalance on the board.

One of the things that we will look at this year is the opportunity to potentially co-opt individuals, particularly on to committees, to give them experience of working with Revenue Scotland. We

did that successfully with one of our existing board members. As part of the process, Simon Cunningham started off as a co-opted member on the audit and risk committee and, ultimately, became a full board member. That could be a useful process as we look forward: in two years' time, two board members will retire and we will look at the next recruitment cycle.

I am acutely aware of the issue, particularly in relation to trying to ensure that we get as much diversity on to the board as we can. I am delighted with the diversity that we have in terms of the experience and the different skills that each individual member brings to the board. Equally, I am conscious of the broader diversity requirements and desires to have better gender diversity, in particular, on the board. We have discussed, and will continue to discuss, how best to address that over the next couple of years.

10:15

Michelle Thomson: To be honest, I would like to hear you say that you have definitive plans to get to an equitable split the next time that you have two people stepping down. The problem with the perception of meritocracy is that if women never get the chance, they never get the chance to demonstrate merit. We have had that cyclical problem for a long time and it is heavily pronounced in financial services. I am interested to know a bit more about your specific plans. Given where we are, what target do you aim to reach in two years' time? Do you have a target?

Aidan O'Carroll: I have a personal target, which I am happy to share. My definite preference would be to appoint two females to replace the two board members who are outgoing, which would give us better gender diversity. However, I am subject to the public appointments process, which is a rigorous process that dictates the sifting of the applications and, ultimately, how the individual candidates are interviewed. I am one voice of a number of people on that panel, including representatives who are there to ensure that there is diversity of thought in the appointments process.

I have a personal ambition to get there. I hope that that will not be derailed in some shape or form, and I will continue to give my best efforts. Co-opting individuals on to a committee might give them a good opportunity to determine whether they want to apply in future for a board position that is subject to the public appointments process. It may also give them a bit more of an advantage on the basis that they will be able to bring relevant experience to the interview process.

Elaine Lorimer: It might be helpful to add a little more colour on the efforts that we went through to reach out as broadly as we could to get as wide a

pool of candidates as we could for our previous board appointments. Aidan O'Carroll is right that ministerial appointments are regulated by the public appointments process, and we get caught into that rigorous process, which requires adherence to evidence-based competencies and a very strict interview process.

To try to demystify coming on to our board and to reach out as broadly as we could, we paid for a search. We got approval from the ethical standards commissioner to do that, and we reached out across the UK. We identified and reached out to different diversity groups and representative groups in business and in the third sector. We ran open evenings and events. We targeted as much as we possibly could.

Although I was not part of the appointments process, Aidan and I were very interested and determined to increase diversity as much as possible. From the people I saw who were interested, we had diversity; people who turned up at those events were diverse. This is a personal view, but something happens when you get into the rigour of the process where there is no compromise. That is where there is still work to be done.

Our view as an organisation, led by the board, is to ask, "How can we help people get over that?" We targeted women, because, as you have identified, that is where we are lacking on our board. We were not lacking previously; it is only in the most recent round that we found that. Co-opting individuals on to committees gives board experience and demystifies the process. It will stand folk who are willing and interested in doing that in good stead when they get into the rigour of a pretty strait-laced competency-based interview process.

Michelle Thomson: Thank you very much for that. You have identified the concerns with the process that will, thankfully, be picked up and we will carry on progressing it.

Perhaps I should have tagged my final question in with my first one. It is about where you are delegating responsibility. Although you remain accountable, responsibility lies elsewhere, such as with the Scottish Environment Protection Agency. Given what you outline in terms of protecting the integrity of your data and so on, how are you monitoring the risks of delegation? Will you talk me through that?

Elaine Lorimer: Yes, I can do that. We have a dedicated team in SEPA, which works alongside our landfill tax team. Its members all go through the same level of security clearance that our staff do. They also all go through the same training as our staff on protecting taxpayer information and so on. We restrict access to our Scottish electronic

tax system so that not everybody on the team has access to it.

We also have underpinning documentation, which, in line with our legislation, allows for restricted release of information, if that is necessary for compliance work, which is at the sharp end of all this. We have regulated data gateways that we can use for that, and we monitor them. We have regular monthly meetings with SEPA. I engage with one of its chief officers on a quarterly basis, when we look at the performance of SEPA and the relationship between our two organisations and whether we are getting the best out of it.

If the concern is about things such as cybersecurity, our systems are absolutely ring-fenced. The cyberattack on SEPA had operational effects for us, but not security effects. In fact, we dealt with the operational impact by bringing some of the SEPA staff into Revenue Scotland on secondment. They became Revenue Scotland staff for that period, until SEPA was able to get itself sorted out, so that we could continue our compliance work securely.

Michelle Thomson: Do you have anything to add, Aidan?

Aidan O'Carroll: We have just reintroduced joint site visits with SEPA. That has a whole number of other issues in terms of ensuring that health, safety, wellbeing and so on are looked after, but it is an important aspect of the collaborative nature of what we need to do. Site visits are important to ensure compliance, and they allow not just our staff but SEPA to share insights into trends that we see happening out on the sites. That keeps us well informed. It is important that we ensure that that delegation is effective. Equally, we apply the same lens as we do with external providers in terms of cyber resilience, security and so on.

Michelle Thomson: Have I got time for one last question, convener?

The Convener: On you go then.

Michelle Thomson: He is just trying to get his own back. My question is about shared services. As you know, this is the Finance and Public Administration Committee, and the utilisation of shared services is something that I greatly value. We could be doing considerably more on that and I notice that you have it on your human resources function. I am just not clear about the history. Was that set up at the outset, or has it evolved relatively recently? How is it working out for you? It is just a general question.

Elaine Lorimer: We have shared services for more than HR. When Revenue Scotland was first set up, our board decided to embrace the shared

services that were on offer from the Scottish Government. Our shared services cover procurement, transactional HR services, facilities—we are in a Scottish Government building—finance, payroll and so on. For a while, we were the only organisation that took the whole panoply of shared services from the Scottish Government.

We have, however, modified our position a wee bit. You will notice that our report shows that we have built a small HR team in Revenue Scotland. That is to focus on casework and to support us in our learning and development function and in our organisational capability building. For everything else, we take shared services.

We have good relationships with SG across the range. As you can imagine, we have to face off to a number of people in the Scottish Government for those services. It has not always been easy, particularly because we are small—we are a small voice in this large system—but we are increasingly influential. We tend to pack a big punch; we punch above our weight with these things.

I am really proud that my leads within Revenue Scotland for the function of iTECs—information and technology services—as well as the SCOTS system, which we also rely on, have great connections with the people in the Scottish Government who lead on those functions.

With regard to where we are now with shared services, as you will be aware, a corporate transformation programme is running in the Scottish Government. We will be a recipient of the new systems for HR and finance when they go live. We have tried to ensure that our voice is heard on the specific requirements that we will have as a separate employer regarding compliance with the general data protection regulation and the construct of the HR system. As accountable officer, I am keen to ensure that the good systems of internal control that we have with the existing system, which allow us to have substantial assurance on our audit and clean audit certificates from Audit Scotland, are maintained as a minimum as we go into the new system. The new system looks as though it has incredible functionality that we will benefit from.

For us as an organisation, the challenge with taking shared services in this way is always our size. I believe that more than 30 organisations, in addition to SG, share the services of SG. We continue to progress that. As far as we are concerned, over the years, apart from bringing some HR in house, it has worked very well for us. It has been a good model for us to operate on, and it has meant that, when we have been building our organisation, we have been focusing instead on building our compliance activity. We have been building capability within Revenue Scotland that is

unique to us and enables us to be a good client of shared services rather than running all those systems ourselves. That would not have been an efficient model for us.

Michelle Thomson: Thank you very much.

John Mason (Glasgow Shettleston) (SNP): I will carry on with that line of questioning. I notice that your turnover of staff has reduced compared with the previous year. I take it that that is a good thing.

Elaine Lorimer: Yes, of course, but it is always healthy for an organisation to have turnover. We have turned over a significant number of staff in previous years, as you will have noticed. I am pleased to say that the vast majority of the time, when our staff leave us, they leave us on promotion, because they get great experience when they work with us.

It used to be a real concern for us that we were losing people to promotion all the time. It felt as if we were the training academy for the civil service in Scotland. However, we have come to accept and acknowledge that, if what we are doing is giving people great experience that enables them to move on elsewhere in the public administration of Scotland, we should celebrate that. We have found that people have started to return to us; they have gone off, got experience elsewhere and then come back.

We did have high turnover, and then it has reduced. I think that it has reduced, because people tend to stay with us for a couple of years or so, and we are currently in such a period. As an employer, we have taken a hybrid-working approach, and we have a great reputation for building capabilities within our staff and a really good reputation for the learning and development that we offer. Therefore, people want to come and stay with us for a while and get the benefits of working with an organisation such as ours. We are always conscious of our turnover—or churn—figures; low turnover is good, but only for a short period. We need to continually allow ourselves an element of turnover, so that we can bring in fresh skills and experience that will enable us to continue to move forward as an organisation and not get stale.

10:30

John Mason: That seems fair enough. You are not a huge organisation, so, inevitably, people are going to have to move on. I get that point.

You mentioned hybrid working. According to our papers, one of the suggestions in your reports was that the organisation's ability to meet operational requirements was not damaged during the hybrid working pilot that you have been running.

However, "not damaged" seems quite a low bar. Were the results positive, or are you not sure?

Elaine Lorimer: As you will see from our annual reports, we get monthly reports on our key performance indicators, which go to the board every quarter. We have set ourselves a high bar in terms of our expectations around service, and we have maintained and exceeded our KPI performance over a period since 2020 in which we have shifted the organisation from being one in which everyone was entirely office based to one in which everyone was working remotely, and then to one in which everyone was working in a hybrid fashion. We are really pleased that we have maintained and even exceeded our KPIs over that period, so perhaps we should have used more upbeat language in our resource accounts report.

John Mason: I ask the question, because a lot of organisations are still in an uncertain place with regard to staff working patterns and do not know whether they will continue with hybrid working or encourage staff to come in a bit more. Are you in that position, too, or have you reached a settled state?

Elaine Lorimer: Our approach to hybrid working is more certain than the position of those organisations that you describe. I will bring in Aidan O'Carroll to reply to your question, because, in May, the board took a decision to adopt hybrid working as our operating model for the foreseeable future, although we have been through enough change in the past few years to realise that we can never say that any model is permanent.

Perhaps uniquely among public bodies in Scotland, we took an evidence-based approach to determining what model of hybrid working we should adopt. We ran a project in which we set ourselves certain criteria. Essentially, we wanted a model that delivered the greatest organisational performance that we reckoned that we could deliver, that met the needs of our staff in terms of what they were telling us would enable them to deliver optimal performance, that was cost effective and which also met our environmental goals. We are pleased to say that the form of hybrid working that we have adopted continues to tick those boxes for us.

Aidan O'Carroll: Elaine Lorimer mentioned that our approach was evidence based as opposed to being anecdotal. That is important. Not only did we engage the staff fully in terms of their modus operandi and how the model would affect them, but we also ensured that we addressed the board's concerns around productivity, continued wellbeing of staff and continued connection of staff, which is important with regard to mental health and wellbeing. We also employed external consultants, who compared the evidence that they

had gathered from other organisations with the model that we wanted to adopt. All of that gives us a high level of confidence that the model that we have adopted, and which is proving popular with staff, is also one that will deliver the results that we need.

I accept that the wording in the report could have been more positive. We set ourselves quite a high standard, because we were already operating in highly efficient way, and we did not want that to drop in any sense. We should probably have said that we maintained a high level of efficiency and that, in effect, the organisation did not miss a beat when it adopted this hybrid model. Based on the people survey results, we are seeing certain benefits. The staff are enjoying the hybrid experience and, equally, they understand that there is a requirement for them to come in at the appropriate times, so that they stay connected with their teams and with management. That means that we will not lose things that other organisations have lost when they moved into a more work-from-home mode. It is important that we keep that connectivity in the organisation.

We will keep monitoring the situation, but, based on all of the evidence that we have gathered, the board is confident that the model will work well and will maintain the high levels of efficiency in the organisation.

John Mason: That was helpful—thank you.

I see that you have a staffing and equalities committee. Is it operating in that space?

Aidan O'Carroll: Yes.

John Mason: I see, too, that it has been decided that that committee should have a more strategic focus. What does that mean?

Aidan O'Carroll: That committee was set up to help an organisation that did not have a human resources function, to help with operational matters and to look at operational fortitude in the organisation. Now that the organisation has grown into a mature situation, that committee needs to look at more strategic issues, of which hybrid working is a good example. It also needs to consider issues such as workforce planning, which will involve working with the team to ensure that we look forward and think about the strategic issues that the organisation will face and, most important, the skill sets that we are going to need, particularly around technology.

The staffing and equality committee's focus now is on those strategic issues and on engaging with the executive team on the actions that we can take in relation to them. I think that that is a really healthy thing for the committee to be doing.

Elaine Lorimer: The other important issue that the committee is engaged with is indicated in its

title. The staffing and equalities committee is where the board goes with our equalities strategy. Earlier, we talked about equalities in relation to the board's make-up, but we did not get into what the organisation is doing to meet its obligations, either as an employer or as a public body, in terms of our approach to equalities. We absolutely embrace that responsibility as an organisation, and it is the staffing and equalities committee that we go to with our plans in that regard.

The other thing that it covers is health and safety and wellbeing. Again, in the past, the committee has helped us work through, in some detail, our responsibilities as an employer, given the type of activity that we undertake. For example, we are an administrative organisation, but we also have staff who go out to landfill sites, which is a very dangerous thing to do. We needed to ensure that we had a proper approach to supporting our staff in that and meeting our obligations as an employer, and the staffing and equalities committee has helped us take a more strategic and holistic view to our responsibilities in that regard.

John Mason: You mentioned health and safety, so I will touch on that. The annual report on resource accounts talks about strengthening the health and safety systems. Is that about visiting sites?

Elaine Lorimer: Yes, it was primarily about that. As a separate employer, we have to have a competent person who can sign off all our requirements from a health and safety perspective to ensure that our staff are working in a safe environment when they visit landfill sites. We realised that we needed to have some more rigour around that, so, over the past year, we have entered into a separate arrangement with the Scottish Environment Protection Agency, which has all the relevant knowledge and experience as well as an in-house health and safety team that can support us.

As you can imagine, we have had to work out the legal lines in relation to where its responsibilities start and end, and where ours start and end. We have entered into a good relationship with SEPA, underpinned by a memorandum of understanding, which means that our staff benefit from SEPA's expertise in terms of visiting landfill sites, but we do not give up our ultimate responsibility, as the employer, in those situations.

We have also, with the support of the staffing and equalities committee, entered into a contract with an external provider for our other health and safety requirements, and we are working on that this year. We are conscious that, as we take on the aggregates tax, for example, our staff will need to visit quarries, which is quite a different level of responsibility from sitting in an office in Victoria

Quay. Unfortunately, SEPA cannot provide us with that service, so we have had to procure that externally.

John Mason: But you have not had any serious accidents so far.

Elaine Lorimer: I am thankful for the fact that we have not.

John Mason: The annual report and accounts cover a variety of things, including the review of litigation decisions. You were awarded

“An upper end of ‘reasonable’ assurance rating”—

I do not even know what that means—and, further on, a “substantial” assurance rating. Those words are obviously different. Can you explain what they mean? How do “reasonable” and “substantial” compare, and where are you in that respect?

Elaine Lorimer: That is the language of the internal audit service. Substantial assurance is the highest rating of assurance that you can receive on the back of an audit, while reasonable assurance tells us as an organisation—and me as an accountable officer—that there are no major concerns with what the audit has seen but there are areas for improvement. The upper end of reasonable lies somewhere in between. Essentially, what that says is that, yes, the audit has identified some areas for improvement, but that they are not that significant at all.

John Mason: Okay. I will leave that issue at that point, although we could explore it further.

On the financial side of things, the convener has already asked you about penalties. What do people mainly have to pay penalties for?

Elaine Lorimer: Essentially, they are for submitting tax returns late.

John Mason: So it is not that the people in question do not do the return at all and then you have to find them.

Elaine Lorimer: It could be that, too. There are two strands. The bulk of our penalties are for tax returns being submitted late, but penalties can also be brought to bear on the back of our undertaking compliance work or an inquiry, or where we issue an assessment. We have the opportunity to issue penalties if we think that the taxpayer’s behaviour merits it.

John Mason: But there is not a huge amount of that.

Elaine Lorimer: Sorry—of what?

John Mason: Of the taxpayer’s behaviour meriting a penalty.

Elaine Lorimer: I would not like to say that there is not a huge amount of it, but we are careful in our application of that aspect of our powers.

John Mason: My final point is about some of the assets and intangible assets in the accounts, which the convener also asked you about. In particular, I was looking at the information technology system under development, on which £152,000 was spent last year. You suggested earlier that quite a lot of different projects are happening, so that £152,000 will not be for one big project.

Elaine Lorimer: No, although our position will change in relation to that. The Scottish aggregates tax is coming our way, which will reduce our bandwidth as an organisation to take on much more business-as-usual type investment in our systems. If we were to come to you next year, you would see at that point that a significant amount of our spend over this next year will have been on beginning to put in place the system for the collecting and managing that new devolved tax. That will take up the vast majority of our capital funding.

John Mason: Is there a risk associated with that?

Elaine Lorimer: In what regard?

John Mason: Perhaps the main risk is that it runs over budget.

Elaine Lorimer: As an organisation, we have a really good reputation for bringing in capital investment on time and within budget. We have a programme in place for the Scottish aggregates tax, with a proper programme board. Clearly, the digital element of that will be really important to us, not just in terms of the tax system being amended to be able to operationalise the tax, but more than that—we want to push the boundaries as much as we can in using technology for our compliance work.

It will be a really important strand of our programme, and we will monitor it very closely. It will rely on our working closely primarily with our supplier, NEC Software Systems UK, to make sure that we specify well and that the costs that it provides to us are robust. That is all part of what will be in the bill’s financial memorandum, and we will actively monitor that as an organisation.

We will absolutely pay particular attention to that issue, because we are conscious that the introduction of a wholly new tax is significant, and that we need to do it well and competently. We need to ensure that the technology that we bring to bear to do that works and comes in on time to enable us to introduce the tax on time.

John Mason: Thank you.

10:45

Liz Smith (Mid Scotland and Fife) (Con): I want to pursue that last point. Obviously, when the aggregates tax is introduced, that will be quite a big change to the work that you undertake. For a start, you will be responsible for its collection and management. You say on page 44 of your resource accounts report that you are “working closely” with the Scottish Government on how to set that up. Will that have considerable ramifications for the way in which you operate your workforce?

Elaine Lorimer: We think not. Essentially, we think that, when we go live, we will require a small team that will work with the industry, which will be similar to what we have for landfill tax. We think that, in the way in which we operationalise it, we will follow a broadly similar model to our approach to landfill tax. The difference is that, at the moment, we do not see another public body like SEPA to which we could delegate a function. The difference might be that we need a slightly larger in-house team, because there is no equivalent body to SEPA for the aggregates industry.

Liz Smith: Given that SEPA is not able to provide that, are you likely to have to train up individuals specifically to have those skills, if they have to go out to quarries or wherever?

Elaine Lorimer: Yes.

Liz Smith: Does that have a cost?

Elaine Lorimer: In the business case that we will produce for introducing and operationalising the tax, we will take a view on how many additional staff we will require. We are not talking about a massive team; indeed, we are probably talking about no more than a dozen people. We need to make sure that, primarily, we have people who understand the industry, as well as folks who are really good tax-compliance professionals. We already have strong capability around tax in our organisation, and we have also brought in some folks to work with us on the programme who will move into operationalising the tax. We are doing everything that we can in this respect.

We have also been absolutely instrumental in engaging with the industry. We have been proactive on that from the outset, and we have accompanied Scottish Government officials when they have gone out to engage. In due course, we will have our own engagement, because we will need to talk about all the mechanics of how the industry will move from dealing with the UK tax authority to dealing with the Scottish tax authority, and what we expect in that regard.

The last thing that I will say on that is about what it will mean for our organisation. We are focusing very much on the tax capability that we

will require, but other teams across the organisation will need to be ready. We have not yet talked about our statistics and management information team. As an organisation, we publish official statistics, which, increasingly, are core to how we manage the taxes. We will need to publish official statistics on the aggregates tax and do a range of other things that we do for the existing taxes. Our tax operations team, which deals with first-point-of-contact calls from taxpayers, will need to be ready.

There will be an impact across the organisation, but I do not expect that we will need a massive uplift in staff. It is more about bringing up the rest of our organisation to be ready.

Liz Smith: Will you work with the Scottish Fiscal Commission on that data?

Elaine Lorimer: Absolutely.

Liz Smith: Obviously, that will be essential, as it has been with the two existing taxes. It will also be very helpful to us.

Elaine Lorimer: Yes, that is right.

Liz Smith: Everything that you have said this morning gives us a high degree of confidence in the professionalism of Revenue Scotland. Obviously, the change is potentially a substantial one, and we want to identify that we have the right capacity and the skills required for the collection and management of the new tax. You sound reasonably confident about that.

Elaine Lorimer: Yes, but—there is a but to all of this, and you cannot expect me not to use the opportunity to make this point while I am in front of the committee—we will clearly need the budget to be able to do it, as we could not do it with our existing resources.

Liz Smith: I am sure that we will scrutinise the financial memorandum carefully.

Elaine Lorimer: Indeed.

The Convener: We have noticed significant increases in your budget year on year over the past two or three years, and I imagine that it will be similar going forward.

Michael Marra (North East Scotland) (Lab): In the annual report, you note the decline in Scottish landfill tax revenues. Will you say a little bit more about that, please?

Elaine Lorimer: That was always to be expected. Part of the policy behind the tax, which is an environmental tax, was the move towards a biodegradable municipal waste—or BMW—ban. The tax is designed to disincentivise waste going to landfill, because you pay a very high premium for waste that ultimately ends up in landfill and a much lower premium for waste that can be reused.

It has always been part of the Scottish Government's environmental objectives to move towards the BMW ban. In our landfill tax receipts, we are seeing that projected decline beginning to come through, and you will see that predicted in the Scottish Fiscal Commission's assessments and forecasts for tax revenues, too. Essentially, that is what we are beginning to see come through in our figures.

Michael Marra: As we develop our work on the aggregates tax, which we have touched on a lot, can we assume that that will result in the same trend? Have you modelled that?

Elaine Lorimer: We have not modelled it, and we have not been asked to model it. That would be a question for the Scottish Government, with regard to its ultimate policy. Because landfill tax and the aggregates tax are slightly smaller than other taxes, they have not necessarily attracted the same level of scrutiny from His Majesty's Revenue and Customs. Therefore, we expect that, with the aggregates tax, we will go on a similar journey to the one that we have gone on with the landfill tax industry in Scotland. For the first few years, certainly, I would not expect to see a decline in revenues.

Michael Marra: I am interested in the move from collecting revenue towards a more environmentally sustainable trajectory and whether there is a trade-off in that regard for the public accounts. I think that there is reasonable agreement on that, but there are fiscal challenges for Scotland at the moment.

More broadly, we have seen significant issues with behaviour change on the income tax side of the agenda. As more taxes are collected, are there any broad lessons or reflections that Revenue Scotland could give us on how behaviour change in Scotland under the devolved taxation regime is beginning to evolve?

Elaine Lorimer: We talk to our colleagues in Wales quite a bit about that, because they have similar powers to us, although their organisation is a little younger than ours. I am going to speak in the generality here, but we have observed that, because our own tax authority in Scotland is focused on those taxes, we see it as part of our role to raise taxpayer awareness so that the maximum revenues can be brought in from taxes that are within our remit.

Our approach is very much to focus on the accessibility of our guidance. We call it upstream compliance—although I do not really like the term—but, in essence, our ideal would be that taxpayers understand their obligations so well that our intervention is minimal. Our stats show that we have a great collection rate—99 per cent—which

is an indication that the tax system is working for the taxpayers who know what their obligation is.

On landfill tax, our approach to compliance has involved getting really close to the industry and having direct relationships with the owners of the 27 or so landfill operators in Scotland who are taxpayers. That has meant that we have been able to assist their understanding of how the tax works for them and how it plays out for them from the point of view of their business processes, how they reuse waste and how they manage waste. Therefore, we would like to think that we have an important role to play in helping to shift behaviour. Of course, when things go wrong, we are there to come in, too.

It is difficult to provide evidence, but we would like to think that the fact that we are able to focus on those issues in a way that was not previously possible, for good reason, means that taxpayers in Scotland have a heightened awareness of their responsibilities, which should lead to behavioural change.

Michael Marra: Is there a flipside to raising taxpayer awareness? We know that the static costing for increasing the additional rate to 47p for 2023-24 was that it would yield £32 million of revenue, but after behavioural effects, it generated £3 million. I know that that is not a tax that you handle, but there is a question about the effect of awareness raising by the institutions, including the Parliament, on devolved taxation. That is what I am trying to explore. The more visible some of those issues are, the more heightened the behavioural effects could be.

I am thinking, in particular, of the effect in relation to the aggregates tax. It seems to me that there might be significant market effects on where the businesses obtain business from, where they get their supply and what products people purchase. The differential taxation situation might affect some of that.

Aidan O'Carroll: We monitor that regularly, because there is an internal market piece coming in with the aggregates tax, as a number of operators will be operating in both England and Scotland.

The important mantra that we are trying to apply—this will apply to the aggregates tax, too—is to make it as simple as possible to comply. The more complex we make the process, the more difficult it can be to have confidence that everyone is complying appropriately. Such complexity might also act as a deterrent. Therefore, we are trying to ensure that we engage with industry up front, particularly in relation to the aggregates tax, because we know from our experience with landfill tax that the more that we engage up front and the more that we set out a system that is easy to

comply with and which is as simple to understand as we can make it, the more confident that we can be that we will get the maximum level of compliance. That is as much a behavioural issue as anything else.

Elaine Lorimer: We have cross-border issues with our existing taxes, and we benefit from really good working relationships at a technical operational level with HMRC and the Welsh Revenue Authority. We also have technical groups that come together regularly over the course of the year. We do joint compliance work—after all, taxpayers do not necessarily stop at the border—and we raise behavioural issues that we observe.

As a tax authority, we are developing some rich evidence on, or understanding of, behavioural effects in relation to the taxes that we are responsible for. We can share that information with Scottish Government policy colleagues as they develop aggregates tax policy.

Michael Marra: Have you been doing that?

Elaine Lorimer: We do that with our existing taxes.

Michael Marra: Do you think that your Scottish Government colleagues might be drawing those lessons for the aggregates tax? I am sure that we can ask the minister about that when he comes to see us.

Elaine Lorimer: It is fair to say that the way in which we work with Scottish Government policy colleagues has really improved in recent years. We are keen to continue to forge the partnership of equals that we have, whereby we each have respective roles and lines that we understand cannot be crossed. We are certainly very clear about what those lines are for us.

Equally, there is a bit in the middle that is about our desire to ensure that the tax system in Scotland works as well as it possibly can, which is where we can bring to bear our operational expertise, our data and our insights. Increasingly, that is what we are doing.

11:00

Michael Marra: I want to draw a slight distinction between compliance and minimisation, if that is possible. It is right that everybody complies, but businesses will tend to try to minimise their tax in order to heighten profitability. Does increased visibility result in higher minimisation?

Elaine Lorimer: That is a really difficult question to answer. In fact, I am not sure that I can.

What is important to us is that the taxpayer pays what, in our view, is the right amount of tax. Some

of the businesses that we deal with have advisers who support them in ensuring that they pay as low an amount of tax as possible, but that might be legitimate. We are interested in ensuring that it is legitimate.

I start from the perspective that we need to ensure that taxpayers understand their obligations—we are clear about that. If that results in their being able to manage their affairs legitimately, in such a way that they minimise their tax bill, that is okay, as long as it is legitimate. Our role is to make sure that it is.

The Convener: It is the old argument about evasion versus avoidance, is it not?

Thank you very much for your contributions today. I do not know whether there are any final points that you want to make before we conclude. Is there anything that we have not touched on? Do you have any additional thoughts that have been stimulated by our questions?

Aidan O'Carroll: You made a point about this being an annual event. We would very much welcome that, particularly if the timing were the same in relation to the publication of our annual report and accounts. I think that we would find that really helpful as part and parcel of our engagement with the Scottish Parliament.

The Convener: That is great. Indeed, that, in itself, is a very helpful comment.

Thank you for answering our questions so fully and frankly. There is one issue that you said that you would get back to us on, so we look forward to receiving that information.

That concludes the public part of today's meeting, as our next agenda item is discussion of our work programme, which will take place in private.

11:02

Meeting continued in private until 11:23.

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