

Finance and Public Administration Committee

32nd Meeting 2023, Session 6, Tuesday 5 December 2023

Revenue Scotland: annual evidence session

Purpose

1. The Committee is invited to take evidence from Revenue Scotland as part of its scrutiny of relevant bodies directly accountable to Parliament.
2. The Revenue Scotland representatives attending the session are—
 - Elaine Lorimer, Chief Executive, Revenue Scotland, and
 - Aidan O'Carroll, Chair, Revenue Scotland.

Background

3. Revenue Scotland and the Scottish Fiscal Commission (SFC) are directly responsible to the Parliament and sit within the Committee's remit.
4. The Finance and Public Administration Committee has agreed to undertake regular scrutiny of how these bodies fulfil their respective functions. It agreed, in the first instance, that annual evidence sessions should take place after the bodies have laid their annual accounts in Parliament.
5. The Committee [wrote to Revenue Scotland](#) on 26 October 2023 to invite them to attend the first of these annual evidence sessions on 5 December 2023. The Committee also [wrote to the SFC on similar terms](#), and will take evidence from it on 21 December 2023.
6. Revenue Scotland produces two Annual Reports and Accounts: [the Devolved Taxes Accounts](#) and [the Resource Accounts](#). The Devolved Taxes Accounts focus on Revenue Scotland's tax proceeds, whereas the Resource Accounts set out how Revenue Scotland delivers its statutory functions and sets its strategies and plans, and how it measures its performance against these.
7. Both of Revenue Scotland's Annual Report and Accounts for 2022-23 were published on 6 November 2023.
8. The Devolved Taxes Account encloses a report by the independent auditor, Audit Scotland. The auditor concludes that the Accounts of Revenue Scotland:
 - Give a fair and true view of the state of the affairs of the accounts,

- have been properly prepared in accordance with relevant standards, and
- have been properly prepared in accordance with legislative requirements and any directions from Scottish Ministers.

Revenue Scotland

9. Revenue Scotland was created by section 2 of the Revenue Scotland and Tax Powers Act 2014¹ (RSTPA). The Act provides that Revenue Scotland’s “general function is the collection and management of the devolved taxes” and also sets out the following “particular functions”—
 - Providing information, advice and assistance to Scottish Ministers relating to tax,
 - Providing information and assistance to taxpayers, their agents and other persons relating to the devolved taxes,
 - Efficiently resolving disputes relating to the devolved taxes (including by mediation), and
 - Protecting the revenue against tax fraud and tax avoidance.
10. It further states that “as a Non-Ministerial Office, Revenue Scotland is part of the Scottish Administration but is directly accountable to the Scottish Parliament to ensure the administration of tax is independent, fair and impartial”.
11. The RSTPA provides that Revenue Scotland must prepare a charter of standards of behaviour and values for Revenue Scotland and taxpayers to adhere to. Its Charter², published in 2016, sets out the behaviour expected from all organisations and individuals to make sure the correct amount of tax is paid, and to uphold the four founding principles underpinning the Scottish approach to tax: certainty, convenience, efficiency, and proportionality to the ability to pay³.
12. Revenue Scotland must publish an annual report towards the end of the financial year. It is also required to produce a corporate plan every four years, which is approved by Scottish Ministers and laid in Parliament, covering Revenue Scotland’s main objectives for the period, the outcomes for measuring achievements against its main objectives, and activities it expects to undertake in that period. Revenue Scotland’s [Corporate Plan 2021-24](#) was published on 30 November 2021.
13. Revenue Scotland may delegate any of its functions relating to Land, Buildings and Transaction Tax to the Registers of Scotland, and any relating to Scottish Landfill Tax to the Scottish Environment Protection Agency (SEPA). It however remains responsible for any delegated functions.

¹ [Revenue Scotland and Tax Powers Act 2014 \(legislation.gov.uk\)](#)

² [Charter of Values | Revenue Scotland](#)

³ Since the Act was introduced, the Scottish Government has published a [Framework for Tax \(2021\)](#). The Framework adds two additional new principles underpinning the Scottish approach to tax: engagement and effectiveness.

14. In 2022-23, Revenue Scotland collected a total tax revenue of £960m, compared with £934m collected in 2021-22. The tax collection rate remained at 99%. The administrative cost of tax collection was £6.8m (representing 0.71% of tax collected), compared with £6.3m in 2021-22 (0.68% of tax collected).

Priorities and measuring outcomes

15. Revenue Scotland's Corporate Plan 2021-24 includes the organisation's vision of: "We are a trusted and valued partner in the delivery of revenue services, informed by our data, digital by design, with a high performing and engaged workforce" It further states that its purpose is "to efficiently and effectively collect and manage the devolved taxes which fund public services for the benefit of the people of Scotland".

16. It aims to deliver its purpose through a set of four strategic outcomes, as outlined in its Corporate Plan—

1. **Excelling in Delivery:** "we offer user-focused services that are digital by design, and provide value for money, convenience and ease of use for internal and external users."
2. **Investing in our People:** "We are high performing, outward looking and diverse, provide a great place to work as an employer of choice. Our staff are motivated and engaged, and we invest in their development and health, safety and wellbeing."
3. **Reaching out:** "We are accessible, collaborative and transparent, keen to learn from others and to share our experiences and expertise."
4. **Looking ahead:** "We plan and deliver change and new responsibilities flexibly, on time and within budget. We have a digital mindset, maximising the use of our data and harnessing new technology to improve our working practices and services."

17. Revenue Scotland measures performance against these outcomes through the use of Key Performance Indicators (KPIs), which are set out in the Corporate Plan, and against the delivery of milestones related to the objectives of key projects. An overview of Revenue Scotland's performance against the KPIs is available on page 24-25 of its Annual Report and Resource Accounts.

18. Its Business Plan outlines pieces of work aiming to facilitate the achievement of the strategic outcomes. The Annual Report and Resource Accounts states that this plan also informs team plans and personal work objectives. A list of Revenue Scotland's key strategic projects for 2022-23 is available on page 22-23 of this annual report.

National Performance Framework

19. Revenue Scotland's Corporate Plan 2021-2024 states that it contributes to all of the Scottish Government's National Outcomes through investment in staff, commitment to equality, diversity and human rights, and working closely with stakeholders and taxpayers.

20. The Annual Report and Resource Accounts highlights six National Outcomes as being particularly relevant to Revenue Scotland's work, stating—

“The organisation particularly contributes to six of the National Outcomes: economy, environment, fair work and business, communities, human rights, and health. We support these areas through investment in staff, a commitment to equality, diversity and inclusion, collaboration with partners, stakeholders and taxpayers, and operating in an open, transparent, and accountable manner.”

21. The report states that Revenue Scotland's collection of the Scottish Landfill Tax is an environmental fiscal measure which promotes the circular economy, and therefore contributes to the environmental outcome of the NPF. The report notes that this contribution will continue with Revenue Scotland's work on the proposed Scottish Aggregates Levy.

Actions, innovations and continuous improvement

Digital by design

22. Revenue Scotland's strategic outcomes highlight the intention to be “digital by design”: to maximise the use of data and to harness new technology to improve Revenue Scotland's working practices and services.

23. It explains that its Capital Investment Programme is aligned with, and aims to deliver, the digital and data priorities set out in the Corporate Plan. The Annual Report and Resource Accounts details the four key areas of focus for this programme throughout 2022-23. These were as follows—

- Enhancements to Revenue Scotland's online tax system (SETS) intended to improve processes and make the management of devolved taxes easier and more efficient,
- The replacement of a legacy contact system with a cloud-based system.
- Updates to Revenue Scotland's finance system, and
- IT hardware updates.

24. Its Capital Investment Programme Board oversees the work of the programme team to monitor and report progress, manage programme risks and finances, and agree any changes to programme plans.

Environmental sustainability

25. Revenue Scotland's Annual Report and Resource Accounts states that the organisation is working towards environmental sustainability by focusing on minimising emissions from facilities, optimising waste reduction, enhancing reuse strategies, and advocating for eco-friendly travel methods for business undertakings.

26. Its Green Strategy this year saw the launch of a staff sustainability survey, which was aimed at further understanding attitudes and behaviours related to commuting and remote work. The data from the survey was utilised in an external evaluation of Revenue Scotland's hybrid working pilot and will be "instrumental" in shaping the organisation's future work model.
27. The Annual Report and Resource Accounts emphasises the potential for increased digital capabilities to provide opportunity for greater environmental sustainability. The report states that a significant proportion of Revenue Scotland's sustainability efforts are geared towards updating legislation to enhance digital interactions with taxpayers, in order to reduce paper waste and carbon emissions associated with postage while also reducing costs for taxpayers.
28. The report also notes Revenue Scotland's contribution to greater environmental sustainability through its collection of the Scottish Landfill Tax, and states that the organisation has initiated strategic dialogues with the aggregates industry in anticipation of the proposed Scottish Aggregates Levy, in order to formulate "the most environmentally sound tax, with an emphasis on digital processing".

Collaborative working and shared services

29. Revenue Scotland's Annual Report and Resource Accounts details several ways in which the organisation strives to work collaboratively in the development and provision of its services and provides some examples, including—
- working collaboratively with other UK tax authorities,
 - working with the SFC by providing anonymous, aggregated SLfT and LBTT data to aid forecasting work,
 - delegating specific functions relating to SLfT collection SEPA;
 - collaborating with HMRC for compliance activity and information and knowledge sharing,
 - participating in the British Isles Tax Authorities Forum, working closely with other tax authorities to share knowledge and best practices in tax collection and management,
 - collaborating with the Scottish Government to discuss areas of potential legislative change, and
 - regularly meeting with the Chartered Institute of Taxation, the Institute of Chartered Accountants of Scotland, the Association of Tax Technicians, the Law Society of Scotland, and the Convention of Scottish Local Authorities, as well as other industry bodies.
30. Revenue Scotland has a Shared Services agreement with the Scottish Government People Directorate. As explained in the [Revenue Scotland Framework Document](#), this agreement means that HR management (including pay negotiations, pay awards, payroll and pensions) for the staff of Revenue Scotland is provided by the Scottish Government. Revenue Scotland's Annual Report and Resource Accounts states that this agreement was enhanced in

2022-23, and that people advice and wellbeing provision is delivered in-house through a small team of HR professionals.

Staffing

31. The average number of whole-time equivalent people employed by Revenue Scotland during 2022-23 was 83, compared to 76 in 2021-22. Full details of staff costs are available at page 79 of the Annual Report and Resource Accounts.
32. Staff churn, which includes staff leaving Revenue Scotland for positions within the wider Scottish Administration, was 9.8% in 2022-23, compared with 29.8% in 2021-22. Staff turnover, defined as excluding staff moving to other Scottish Administration bodies, was 2.5% in 2022-23, compared with 8.5% in 2021-22.
33. Revenue Scotland's People Strategy 2021-24 sets out the work the organisation is undertaking to maintain a positive organisational culture, undertake fair and open recruitment, invest in the enhancement of the skills of staff, and strengthen leadership capacity.
34. Progress against the People Strategy is reported to the Staffing and Equalities Committee throughout the year. The Committee advises and provides assurance to the Revenue Scotland Board and Accountable Officer on issues relating to: people; equality, diversity and inclusion; and health, safety and wellbeing. During 2022-23, the Revenue Scotland Board reviewed the operation of the Committee and agreed to pilot changes during 2023-24 aimed at ensuring a more strategic focus for the committee.
35. Revenue Scotland's People Service team is responsible for maintaining staffing levels and supporting the Senior Leadership Team in strategic workforce planning. This team conducts regular reviews of staffing levels and works with managers to identify areas in which additional capability or capacity is needed. The Annual Report and Resource Accounts notes the processes and systems in place to achieve this:
 - Conducting performance reviews and training needs assessments to identify where staff may require additional support or development,
 - Talent management programme identifies high-potential staff in order to provide employees with opportunities for development and career progression, and
 - Regular strategic workforce planning sessions,

Equalities

36. As well as its equalities duties outlined by the Equality Act 2010, as a public authority, Revenue Scotland is also required to consider how its policies or decisions affect people according to their protected characteristics, and to publish Equality Outcomes and a mainstreaming report to demonstrate how it is meeting the Public Sector Equality Duty.

37. It commits to equalities outcomes in its Corporate Plan. Revenue Scotland currently has two outcomes in place: one of which is focused toward Revenue Scotland’s service users, and the other towards its staff—
- Outcome 1 – Revenue Scotland will actively promote equality, diversity and inclusion in designing and delivering our services.
 - Outcome 2 – Revenue Scotland will embed a celebratory culture of equality, diversity and inclusion within our organisation, to have a workforce which reflects the people we serve.
38. Revenue Scotland’s Corporate Plan 2020-2024 introduced a new Key Performance Indicator (KPI 8) which looks at progress against delivery of Equalities Mainstreaming Action Plan.
39. The Annual Report and Resource Accounts outlines areas in which Revenue Scotland have completed projects aimed towards achieving the organisation’s goal of being “increasingly equal, diverse and inclusive”. These include—
- Launching an Enhanced Support Policy (this policy is aimed at service users who may require additional support and includes assistances such the provision of documents in braille or large print, access to translation services, help to register a Power of Attorney, and access to a video relay service for Deaf/British Sign Language users. Further enhancements to this policy are planned for 2023-24.),
 - Beginning to undertake analysis and assessment of the organisation’s ability to complete Equality Impact Assessments, and
 - Achieving Disability Confident Level 2 status.
40. The report explains that 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. Within Revenue Scotland, the mean gender pay gap for all staff at Revenue Scotland at the end of March 2023 was 3.1%, compared with -1.1% in 2022 (restated from 0.0%). The report states that this movement arose from changes in the gender mix of staff at March in each financial year (41 female and 35 male in 2021-22, compared with 43 female and 40 male in 2022-23), as well as changes in the grades of those staff.
41. Revenue Scotland has seven Board Members, six of whom are male and one is female and its senior leadership team has four members (an equal male/female split).
42. The Annual Report and Devolved Taxes Accounts notes that a review of Equalities and Diversity was undertaken by The Scottish Government’s Directorate for Internal Audit and Assurance. The report notes that the review “evaluated Revenue Scotland’s approach to embedding consideration of equality and diversity as part of strategic and operational decision-making. An upper-end of ‘reasonable’ assurance rating was awarded. The report indicated that Revenue Scotland was well placed to achieve its ambition to fully embed consideration of equality and diversity throughout its decision-making. Areas of improvement were

identified which will: help ensure that a greater focus given at the strategic level; that effort is focused on areas of greatest impact and need; and that communications around outcomes are targeted those who will benefit most.”

Hybrid working model

43. Over the course of 2022-23, Revenue Scotland piloted a hybrid working model which sought to blend staff preference for working patterns and location with business need. Staff surveys undertaken throughout the process indicated that staff preferred the hybrid model and saw a positive impact on their health and wellbeing. Measures of performance indicated that the organisation’s ability to meet operational requirements was not damaged during the pilot.
44. The Annual Report and Devolved Taxes Accounts notes that an internal Scottish Government review of Revenue Scotland’s Hybrid Working Pilot “examined whether the organisation’s approach to considering and piloting hybrid working supports conclusions reached regarding next steps in moving out of the pilot and into business as usual. A ‘Substantial’ assurance rating was awarded in respect of this review. The report supported the approach that had been taken, which was seen to reflect good practice, and the conclusions reached regarding the next steps in moving out of the pilot and into the next stage.”
45. The Board of Revenue Scotland endorsed the executive team’s recommendation to adopt this model of working for the foreseeable future in May 2023.

Opportunities, risks and challenges

Scottish Aggregates Levy

46. Revenue Scotland has established a programme to deliver the proposed new devolved Scottish Aggregates Levy. The Annual Report and Resource Accounts details the steps that Revenue Scotland is taking in this regard, including working with the Scottish Government in the development of the tax, and engaging with the aggregates industry to understand how the Scottish Aggregates Levy will achieve its policy aims, and to consult on key aspects, such as exemptions, reliefs and cross border arrangements and the effectiveness of the current UK levy.
47. The report states that Revenue Scotland is preparing for the introduction of the tax by ensuring that staff and service users are prepared, with all necessary internal changes planned and delivered, and by preparing guidance and communications which will be available ahead of the launch. To align with Revenue Scotland’s ‘Digital First’ approach, the SETS digital platform will be further developed to facilitate online collection of the tax by default.

Risk management

48. Revenue Scotland's Risk Management Framework aligns with the guidance presented through the Scottish Public Finance Manual and Scottish Government's Risk Management Guidance document. The framework sets out the process for identifying and documenting risk, assigning ownership of risk, scoring risk, determining responses to risk and monitoring and reporting on progress in managing risk. It is undertaking a review of this framework, which is expected to be completed in 2023-24.
49. Revenue Scotland uses a concept of "risk appetite" to communicate the level of risk it is willing to accept in pursuit of its corporate objectives. This is used to inform its risk management procedures and to prioritise issues carrying the highest risks.

Compliance

50. Revenue Scotland's Annual Report and Resource Accounts states that the organisation has a duty to protect and ensure the correct amount of revenues are collected, and that it aims to achieve this by "encouraging a culture of responsible taxpaying where individuals and businesses pay their taxes as the Scottish Parliament intended."
51. The report sets out Revenue Scotland's approach to tax compliance, which has three key elements as follows—
1. Enabling – Helping taxpayers to understand and comply with their tax obligations through the services Revenue Scotland provides.
 2. Assurance – Using statutory powers appropriately to help taxpayers to get to the right tax position.
 3. Resolution – Seeking to resolve disputes and pursue non-compliance by using powers proportionately and applying penalties where required.
52. As noted in the Corporate Plan, KPI 3 measures Revenue Scotland's tax compliance activity. As measured under this KPI, tax secured through Revenue Scotland's compliance activity was £10.4 million in 2022-23, compared to £721k in 2021-22, though the tax collection rate for both years is noted at 99%. The Annual Report and Resource Accounts notes that these results reflect activity over a number of years which reached a conclusion during 2022-23 but does not include upstream compliance activity, such as improving guidance to assist taxpayers to comply with their obligations.
53. The Annual Report and Devolved Taxes Accounts notes that the total amount of penalties and interest collected in 2022-23 was £2,065,000, compared with £1,245,000 in 2021-22. The report explains that penalties are charged on the late receipt of tax returns, late payments or other reasons permitted under the RSTPA, and that interest is charged on the late payment of tax returns or penalties. Penalties are recognised when a penalty notice has been issued to the taxpayer.

54. Revenue Scotland states that—

“We continue to develop a more strategic, data-led approach to our compliance activities. This ensures our resource is targeted toward the most significant tax risks. The benefits of this approach are reflected in the 2022-23 compliance activity results.”

Dispute resolution

55. Revenue Scotland’s Annual Report and Resource Accounts states that the organisation aims to minimise tax disputes by providing clear information and guidance to taxpayers and having robust decision-making processes in place.

56. It participated in five tribunal hearings in 2022-23 compared with seven in 2021-22. Of these, three were LBTT appeals and two were SLfT appeals. The report states that instances of tax disputes can indicate areas for improvement within the devolved tax system, and that Revenue Scotland regularly reflects on and implements continuous improvements during and on conclusion of disputes.

Cyber security and data

57. The Annual Report and Resource Accounts provides details of the measures Revenue Scotland have taken to attempt to mitigate against the risks associated with cyber security. These include—

- implementing robust security protocols,
- providing training to employees on cyber security best practices,
- developing a non-SCOTs device use policy for Board members,
- conducting regular vulnerability assessments and penetration testing to identify weaknesses in systems and processes, and
- ensuring third party supplier security details are up to date, specifically in relation to Cyber Essential Plus and relevant ISO certifications.

58. The report explains that Revenue Scotland is developing data and digital strategies and working to strengthen its data governance framework to ensure that data is collected, stored and used in a responsible and ethical manner. This includes ensuring compliance with relevant data protection law, implementing data security measures, and leveraging technology to optimise data management processes.

59. Revenue Scotland has also undertaken a data maturity assessment to provide a picture of its current condition and to assess what improvements are needed to meet its aspirations.

Reduced Scottish Landfill Tax revenues

60. The Annual Report and Resource Accounts notes that SLfT contributions have been declining, likely due to the biodegradable municipal waste ban scheduled

for 2025 resulting in reduced landfilling. The report explains that, though this waste reduction initiative aligns with Scotland's climate change and circular economy objectives, it will likely result in a decrease in SLFT revenue and that "this scenario presents potential tax risks emanating from factors such as waste misclassification, as well as increased scope for unauthorised waste disposal".

61. Revenue Scotland plans to mitigate these risks by integrating them into its compliance plans, engaging with stakeholders in the Scottish landfill industry, and collaborating with SEPA to pre-emptively address emerging challenges.

Transparency and accountability

Service provision and awareness-raising

62. Revenue Scotland's Communications and Engagement Strategy was updated in May 2022 and sets out key actions planned to get a better understanding of stakeholders' needs. The Strategy also emphasises improving communications and transparency and thoughtfulness in Revenue Scotland's approach going forward.

63. Revenue Scotland has upgraded its contact management system in order to provide more efficient operations for call handlers and improved support for callers. The Annual Report and Resource Accounts notes that this new system provides advanced reporting capabilities, allowing insight into frequently asked questions, which Revenue Scotland are using to refine its guidance, website and communications with taxpayers.

64. Its KPI2 is a composite measure of response times to different service user requests (for example, calls, written correspondence, and time to process claims for repayment of tax). Revenue Scotland maintained its target of 95% throughout 2022-23.

65. The report notes that improvements to its online portal for agents are being explored, in order to enhance service offering. Furthermore, Revenue Scotland updated multiple sections of its online LBTT guidance in 2022-23 following engagement with stakeholders. A 2023-24 guidance project plan is in place for further guidance pages to be updated.

66. All Revenue Scotland's annual reports and accounts, corporate plans and the minutes of Board meetings are made publicly available on Revenue Scotland's website.

Ensuring independence from government

67. Revenue Scotland's independence from government is set out in statute—

"Scottish Ministers must not give directions relating to, or otherwise seek to control the exercise by Revenue Scotland of its functions".

68. Though Ministers must not direct, or otherwise seek to control Revenue Scotland in the exercise of its functions, they may provide 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.
69. As a Non-Ministerial Office, Revenue Scotland is accountable to the Scottish Parliament and 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 plans and annual reports are approved by Scottish Ministers and laid before the Scottish Parliament.
70. Revenue Scotland staff are civil servants and are therefore expected to adhere to the Civil Service Code of Conduct, including carrying out their duties with a commitment to the civil service values of integrity, honesty, objectivity and impartiality.

Next steps

71. The Committee intends to hold annual evidence sessions with Revenue Scotland and to continue to hear its evidence on an ad hoc basis in relation to other relevant aspects of its work.

Committee Clerking Team
November 2023