



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Finance and Public Administration Committee

Tuesday 19 November 2024

Session 6



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FINANCE AND PUBLIC ADMINISTRATION COMMITTEE

32nd Meeting 2024, Session 6

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

Michael Marra (North East Scotland) (Lab)

COMMITTEE MEMBERS

*Ross Greer (West Scotland) (Green)

*Craig Hoy (South Scotland) (Con)

*John Mason (Glasgow Shettleston) (Ind)

*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)

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Tuesday 19 November 2024

[The Convener opened the meeting at 09:30]

Schools (Residential Outdoor Education) (Scotland) Bill: Financial Memorandum

The Convener (Kenneth Gibson): Good morning and welcome to the 32nd meeting in 2024 of the Finance and Public Administration Committee. We have received apologies from Michael Marra.

Agenda item 1 is evidence taking on the financial memorandum for the Schools (Residential Outdoor Education) (Scotland) Bill from Liz Smith, who is the member in charge of the bill. Liz is joined by Nick Hawthorne, senior clerk at the Scottish Parliament's non-Government bills unit. I welcome you both to the meeting, and I invite Liz to make a short opening statement.

Liz Smith (Mid Scotland and Fife) (Con): Thank you, convener. It is a different experience for me to be at this end of the table.

I think that the Parliament is well aware of my considerable passion, over a long period, for the subject of residential outdoor education. I believe that, in the light of the Covid experience, we need to do even more to support our young people when it comes to providing encouragement and building confidence, leadership and resilience.

I will give some background. I introduced my bill on 20 June 2024. Prior to that, I had undertaken a consultation on the draft proposal for the bill, which received 535 responses. Ninety-five per cent of those who provided a response supported the proposal, and I am extremely grateful to all those who participated in that process.

I then lodged a final proposal for a bill, which received cross-party support from 38 MSPs—again, I am very grateful to those who supported it. I am also grateful to the Scottish Government ministers who have subsequently engaged with me on the issue. In particular, I thank the Cabinet Secretary for Education and Skills and the Minister for Children, Young People and The Promise for their very constructive engagement. I am also extremely grateful to my staff and the staff of the outstanding NGBU, who have gone to great lengths to support me with the bill.

I believe that there is a very strong appetite for measures to be taken to ensure that all young people can be offered at least one week's residential outdoor education.

The financial memorandum estimates that the cost of the bill's provisions would be about £20.4 million to £33.9 million in year 1. I recognise that the upper estimate in that range is probably the most realistic one. Those calculations are in line with the figures that the Scottish Government provided to the Education, Children and Young People Committee on 3 September. The Government said that the estimated cost would range from £24.3 million to £40.6 million, and it offered a central estimate of £32.2 million. I was encouraged that we were in the same ball park.

The financial memorandum projects that the estimated cost would increase to a range of £21 million to £35.2 million in year 2, before settling back to a range of £20.4 million to £33.9 million in year 3 and beyond. The bill includes a requirement that guidance be set out, and I have proposed that that be done every five years.

In addition, I have included some suggestions about different models that could be used to help to fund residential outdoor education, based on evidence that has been collected not only from Scotland but from other jurisdictions, including Ireland. I have encouraged the Scottish Government to consider the use of a public trust model, whereby the Government would work with other partners to provide support to send young people on residential outdoor education.

Some of the evidence that was given to the Education, Children and Young People Committee on 13 November highlighted the existence of pupil equity funding for use in residential outdoor education. For example, Andrew Bradshaw of the City of Edinburgh Council indicated that 23 per cent of subsidy for pupils in that council area to attend residential outdoor education comes from PEF. Therefore, I think that there is a case for that to be looked at.

It is challenging to produce estimates for how much the bill would cost, because the raw data on the number of school pupils who currently undertake residential outdoor education is hard to find, as it is not held centrally or by local authorities. However, as was evident from last week's evidence to the Education, Children and Young People Committee, that is not the case with the City of Edinburgh Council, which has a very good set of data on how many youngsters attend residential outdoor education in that local authority area, and, in Wales, there is extremely good knowledge of how many pupils there attend outdoor education.

I turn to the submissions that the committee has received on the financial memorandum. There are probably four categories of comments: those on funding for pupils with additional support needs, which I think is extremely important; those on funding for staffing costs; those on funding to meet other costs such as transport and ancillary costs; and those on funding to deal with the impact of inflation. If the committee will indulge me a little, I would like to say something about each of those categories.

On funding for pupils with additional support needs, I make it clear that many such pupils will already attend residential outdoor education without significant additional provision requiring to be made. However, it is important to acknowledge that a small number of pupils with extremely complex needs will require extra support. I encourage the committee to consider the evidence that was presented to the Education, Children and Young People Committee on examples of existing good practice whereby outdoor education centres place a high value on supporting young people with additional needs, including those with significant disabilities.

As is highlighted in the policy memorandum, the research that was carried out for the Calvert Trust and the Bendrigg Trust, as well as the evidence from the Outward Bound Trust and people who work at the Ardroy Outdoor Education Centre, shows how good some centres are at providing young people with additional needs with life-changing experiences. The evidence that Dr Roger Scrutton and Professor Chris Loynes gave to the Education, Children and Young People Committee two weeks ago was very powerful, because it highlighted what is being done to support youngsters with neurodiverse conditions.

In relation to funding for staffing costs, the financial memorandum acknowledges that, if the bill were passed, there would be an increase in the number of pupils who would receive outdoor education, which would result in additional staffing costs, although we should bear in mind the fact that a significant number of support staff are parent helpers and family members who currently do that work on a voluntary basis. However, it is important to recognise that the style and manner of the residential outdoor education that is undertaken will depend entirely on the school's context. I am keen to ensure that there is as much flexibility as possible.

For example, some schools' residential outdoor education might involve camping in or near the school grounds, while that of others will involve travelling to a more remote outdoor education centre. The former would not incur terribly much in the way of cost, but the latter probably would. It is possible that part of the increase in staffing costs

that would arise from the bill would be offset by virtue of the fact that some of the other residential experiences would be provided not that far away from the school setting. Nonetheless, the projections in the financial memorandum assume travel to an outdoor centre in each case.

Ultimately, teachers' contracts and pay and conditions, and what is required of them in respect of the provision of residential outdoor education, are matters for the tripartite negotiation between the Scottish Government, local authorities and the teaching unions. I respect that, but I also note that, among many teachers, there is strong recognition of the positive outcomes from outdoor education. Indeed, last week, the NASUWT indicated in its evidence to the Education, Children and Young People Committee that, despite having some concerns, 90 per cent of its members saw the advantage of school trips. I thought that that was very encouraging.

In relation to other costs, such as transport and ancillary costs, Shetland Islands Council provided an interesting response, which raised pertinent points about ensuring provision for pupils on islands. I agree that, in cases in which groups from islands attend residential outdoor education, costs will definitely be higher. I think that those costs are offset by lower costs for school groups on the mainland that have a shorter distance to travel. However, as I said, I think that we can probably cope with that.

In some cases, a week spent camping locally might be more appropriate and beneficial than a trip to an outdoor centre in a more remote location, but, as we know, many island communities are already running very successful residential programmes for primary and secondary pupils.

I read the concerns that were expressed about transport costs. As submissions to the committee have made clear, that will depend greatly on the geography, the mode of transport and the availability of that transport. A local residential experience that involves pupils being transported a short distance using existing school minibuses will be much cheaper than one that involves hiring a coach.

Concern was also raised about ancillary costs such as the provision of clothing for outdoor pursuits. However, evidence last week to the Education, Children and Young People Committee by the Ardroy Outdoor Education Centre and others demonstrated that that is unlikely to be a major factor, because many centres already routinely provide the necessary clothing for pupils.

Should the committee find it helpful to further consider concerns about the impact of inflation, I will be happy to provide in writing an updated table to account for inflation in years 2 and 3. I do not

think that the impact is huge, and it has already been accounted for in some costs—for example, in the guidance to accompany the bill, which I based on guidance that has come forth from other parliamentary bills.

In summary, I recognise that implementing the provisions of the bill will come at a cost, and that the bill will require a financial resolution in order to proceed from stage 1. However, I strongly believe that the benefits of such an investment will be significant to young people—in particular, those with support needs, those who lack confidence, those for whom academic work in a classroom environment is a challenge, and those who struggle with mental health issues. There should also be significant societal benefits, such as better resilience, better leadership skills and an increased awareness of and care for the natural environment. There should also be long-term savings for the health and criminal justice systems.

In short, not only are the provisions of the bill positive from an education perspective; they represent preventative spend.

The Convener: Thank you for that comprehensive opening statement. I can more or less wind up at that, I suppose, given that you have answered most of the questions.

Everyone on the committee appreciates your passionate commitment to the bill and the topic that it covers, so we will focus specifically on financial matters—which, according to the submissions that we have received, as you will be well aware, are significant.

Paragraph 6 of the financial memorandum says:

“The Member acknowledges that what mechanism the Scottish Ministers use to allocate funding required for this Bill is a matter for them.”

In addition, paragraph 11 says:

“Under this Bill, the responsibility for funding for the provision of residential outdoor education rests with the Scottish Government, thus ensuring blanket provision”.

You mentioned PEF in your opening statement, but what do you believe would be the most appropriate vehicle for the Scottish Government to fund the provisions of the bill, and do you believe that that funding should be ring fenced?

Liz Smith: Both the Cabinet Secretary for Education and Skills and the Minister for Children, Young People and The Promise have been extremely helpful to me. Based on evidence that I have taken from other jurisdictions and from Scotland, I flagged up to the Scottish Government the possibility of a public trust model, which is run for the benefit of the public—that is, not for profit. The trustees in a public trust model are appointed by the Scottish Government but can take on board

members who might come from various bodies that can provide greater funding.

I have spoken a lot with Celia Tennant of Inspiring Scotland, who was also extremely helpful with regard to the bill, about what that organisation does to balance the public, private and voluntary sectors in such a fund. I have flagged up Rethink Ireland, which uses an interesting model and has been successful in raising a considerable amount of money. In that, there is a suggestion to the Scottish Government that, although the bill would make provision through the Government, the Government could find creative and imaginative ways of finding additional funding at a time when local authorities are under considerable pressure.

The Convener: You mentioned such a trust in your opening statement. How would that work? For example, would the Government have to put in some seed money to draw in additional funding from elsewhere, in order to make the trust work?

Liz Smith: That is a possibility, convener. An interesting thing that came out in two or three of the Education, Children and Young People Committee’s evidence sessions is that much of the PEF—which has been a very successful way of funding support, particularly for schools and youngsters who have greater need, in some of the more disadvantaged communities—is currently being used for outdoor education. That speaks volumes about the choices that have been made in local authorities and schools to ensure that that money goes to something that clearly gives positive outcomes. I have engaged with the Scottish Government about the level of PEF that we have and how much of it is going to outdoor education, because it is important to find out what the total is. That funding is obviously provided by the Scottish Government.

09:45

The Convener: Pupil equity funding is important, but the point about it is that teachers can decide whether to spend it on outdoor education, books, computers, additional staff or whatever. Is it not therefore a rather unreliable source? You want outdoor education to be baked into legislation so that it is mandatory that every pupil gets to go at some point. Is the approach of relying on PEF to deliver that not a bit fragile? It would surely only ever be additional funding rather than core funding.

Liz Smith: We could not rely on it completely, of course, because there is not enough to do what we want to do. However, it is interesting that, in many cases, the choices that are being made in schools are such that the existing PEF money is being directed into outdoor education. It would be helpful to supplement that with the creative and

imaginative ideas that have worked in other jurisdictions. You asked whether money should be ring fenced, and my answer is, "Possibly." However, we can persuade the Scottish Government that there are imaginative ways to pursue a range of funding options.

The Convener: We could be talking about £100 million over three years, which is a very significant amount of money, and the Convention of Scottish Local Authorities is obviously nervous about where those funds will be sourced from. It is looking for a guarantee that local government will not be left carrying the can, which is why I asked you whether you think that the funding should be ring fenced. You might be able to set up a trust, and money might come from PEF, but it does not seem to me that that represents a guaranteed source of funding year in, year out, so to speak.

Liz Smith: That is also a very good and important question. If we are to build a trust model, as some other countries have done, we will have to ensure that there is sustainability, because you are quite right: there has to be a year-on-year funding commitment. We cannot just have it for one year, because it could then all fall to bits. It is important that we have sustainable funding, but I have been pretty encouraged by what the Scottish Government has said about the bill and ways to ensure that we make the provision sustainable.

The Convener: One issue that has come up in the evidence is the lack of capital funding. You talked about some facilities for the delivery of outdoor education that were closed but have been repurposed and are coming back into use. If there is going to be a surge in demand, with additional numbers, surely that will mean that additional capital will be required. For example, if we think about how the Scottish Government increased the number of funded early learning and childcare hours from 612.5 to 1,140, or about the addition of free school meals for primary 5s to 7s, which is still being deliberated on, a lot of that is about schools' capacity to provide those things. For nursery school children, they have to build places, in effect. Why is there no capital budget for your proposal in the financial memorandum?

Liz Smith: There are issues about some of the existing outdoor centres needing to update their facilities. However, when it comes to bed space, which is important because that is the issue that determines how many youngsters can go to the centres, there is good capacity. We need to make a distinction between that and the structures that those who represented the outdoor education sector at the Education, Children and Young People Committee mentioned last week when they acknowledged that some of their facilities need to be updated. They are the ones who have to do that, and they are waiting to see what the demand

level will be before they make investment decisions on that basis.

The Convener: If 60,000 pupils a year are involved, it will not be 1,200 a week. We have a 38-week school year, but nobody will go in the week or two before Christmas, for example, or the week before the summer holidays. Demand will not be even throughout the year. You will find that it will be pretty skewed. Some centres will fill up very quickly and people will probably have to book them years in advance. I would have thought that the capacity will have to be significantly higher than it might be on paper. On paper, a capacity of 2,000 might be needed, but in reality it might need to be nearer 3,000 or 4,000 simply because people will want to go at certain times because of how the school year operates.

Liz Smith: That is true, convener. Demand is not even across the year. Nonetheless, you would be surprised at how booking is increasing in months that we would not normally have expected, in years gone by. The outdoor centres are very pleased about the fact that some of that booking is being spread across the year.

There is a question for some—not all—outdoor centres about having to update their provision. I do not think that that will prevent the numbers of youngsters who will likely go, but it is nonetheless important to have not just quantity but quality. It has to be a good experience for young people qualitatively as well as quantitatively. If dormitory areas, kitchen areas or lounge areas are not up to scratch, that is an issue.

I will mention one thing that I have proposed in the bill, although I note that this is perhaps not relevant to the financial memorandum. School inspection is taking a much greater interest in what goes on through the extracurricular side of education. The education authorities are very interested in inspecting a school experience not just through what happens in that particular school but through where schools take their young people to get that extra dimension. I would like to see that include looking at the quality of provision. That is an important aspect for the education inspectorate—I have spoken with it several times—to consider.

The Convener: I agree with that, but does that not mean that we need there to be a capital allocation in the financial memorandum? COSLA and the Association of Directors of Education in Scotland will say that, because of the current financial challenge, that will be difficult to deliver. ADES has said:

"the financial assumptions within the Bill are well below the finances required and are not detailed enough to give confidence in the ability to deliver on the aspirations of the Bill."

I certainly agree with your aspirations—I am sure that most people would agree with them—but it is about how they are delivered. Some of the problems that COSLA, ADES and others have raised are about those issues. COSLA has asked where the funds will be sourced from; the subject of capital makes it very nervous, because a lot of local authorities do not have significant capital budgets and, with what they have, they are thinking about using those to build new schools or to fix potholes. They would be very reluctant, I think, to spend half a million or a million pounds, or whatever it would cost, on upgrading an outdoor centre, unless they were given the money.

Liz Smith: I understand that. However, I come back to the point that the ballpark figures in the financial memorandum and the Scottish Government costings are not that far apart. That is an important point.

As the centres will tell you, when it comes to bed-space availability and demand, some of them are booked up quite some time in advance. That is important. That demand will provide them with greater income. It is true that some centres have issues, but they are adamant that the bill could help them. As I said, the arithmetic that we have done is, I think, quite accurate.

The Convener: Paragraph 40 of the financial memorandum says:

“In relation to cover for teachers in their absence from school, for primary schools it is reasonable to assume that teachers and support staff attending the trip may not need to be covered for at the school.”

However, ADES has said:

“Paragraph 40 is incorrect. Any young person requires education, not supervision, this must be with a General Teaching Council for Scotland (GTCS) registered post holder, this is a genuine cost to the excursion.”

Liz Smith: It is true that any classroom provision has to be under GTCS control. That is absolutely right and proper, because that concerns the professional qualification.

Existing schools that undertake a considerable amount of outdoor education—a growing number—are able to cope with that scenario without any additional extra costs. They make their timetable work to suit the provision of what is happening both in school and in the outdoor education field. It is the same as for history trips or language trips. It is never easy to organise a school timetable—in fact, it is increasingly difficult, these days—but the issue is pretty well covered. I do not think that there is a significant cost that will impinge on the ability of schools to provide staffing for outdoor education, because the schools that currently take part do not seem to have that problem.

The Convener: What about the cost of cancellations due to adverse weather or pupil illness, for example? The assumptions do not appear to consider what the intent would be on how costs would be met if trips were cancelled or if a pupil was ill.

Liz Smith: Cancellation happens fairly regularly, not least because of the Scottish weather. Usually, if there is a cancellation, the trip is held over to a more appropriate time at which the school can go.

The Convener: I would have thought that the schools would still be charged, because, if you are a provider and two pupils do not turn up, you have lost a few hundred pounds, unless the school meets that cost—and the school would surely have to pay a second time, when the child was better.

Liz Smith: Often, though, a trip is held over, because the booking can be remade. On the whole, outdoor education centres are pretty generous in allowing that to happen, provided that the extra booking is made. If it is not made, the money has to be repaid. However, my understanding and experience of that are relatively limited.

The Convener: Comhairle nan Eilean Siar has said that the timescales are not possible to meet without a detailed and well-informed financial memorandum that takes account of the costs that are required to deliver on all the aspirations. It has said that many costs are dependent on third parties such as transportation providers and, of course, the outdoor education providers.

Liz Smith: We did a lot of work—my staff did a phenomenal amount of work, not least because they have considerable experience in the sector, having worked in it. We spoke to a lot of schools and to authorities that make that provision now, which sometimes have to hire buses and so on. We have gone into quite a lot of detail in the potential costings for that. I therefore think that our sums are fairly accurate in that respect. I have not had any feedback from the Scottish Government to suggest otherwise.

However, it is possible that, for some, transportation costs are prohibitive, because of the pressures on local authorities of other financial obligations. We know for a fact that some schools have not been able to take part in outdoor education because transport has been too expensive. However, we have put into our sums the basis for our costings.

The Convener: Other colleagues will want to explore some issues further, including one or two that I have not touched on. However, there is one further thing from me. Today, your Holyrood leader called for tax cuts of £1 billion a year. Your party has also called on the Scottish Government to

mitigate a number of things such as the situation on winter fuel payments. If we have £1 billion in tax cuts and we mitigate here, there and everywhere—national insurance, blah, blah, blah—where would the bill fit into the list of priorities in a budget in which there would be less money to spend?

Liz Smith: I am absolutely 100 per cent convinced that this is about providing our young people with the skills, confidence and resilience that we need in Scotland—particularly since the Covid crisis, given that anxiety is so powerfully strong among many young people.

Anything that we can do from an educational perspective to improve the opportunities for our young people—particularly when it comes to working in the outside world or going on to college or university—is absolutely fundamental.

10:00

One of the most important effects of the bill would be if we get a more skilled, confident and able workforce than we have now and inspire more people to come into the workforce, instead of having a high level of economic inactivity. I base that on my experience of teaching and of almost 20 years in politics, and on my understanding of what we can do with young people when they have these experiences. The evidence is so strong that that nails it for me.

You asked me how that fits with my own party's policies on public finance. We want to build in resilience and ensure that any spending commitments or tax reductions that we make are in line with greater fiscal transparency, which, rightly, is a big thing for this committee. That is where it fits in.

Primarily, the bill is about giving our youngsters a better offer as part of their education. I am really passionate about that.

The Convener: We fully appreciate that and, all else being equal, I do not think there would be any argument at all against it. However, we must look at the budget, at teacher numbers and at the cost of outdoor provision. Where do you sit on that?

Liz Smith: Having been a teacher myself, I am slightly biased.

The Convener: Of course.

Liz Smith: Teacher numbers are vitally important, particularly in the area of additional support for learning, where we do not have enough teachers. I would make a plea for priority spending in that area. There are other areas that I, in common with other Conservatives, would see as less of a spending priority.

The Convener: Tell us.

Liz Smith: I am sure that that will come out in the budget. I think that you know my own views and I have said in response to recent budgets that there are things that we would not do quite so much of, because of other priorities.

Teachers really matter. They can inspire our young people and they work alongside parents. Preventative spending to give young people better opportunities is a no-brainer.

The Convener: It is time to open out the questioning.

Ross Greer (West Scotland) (Green): If passed, the bill will induce quite a lot of demand in the sector. As you point out, there is bed capacity at the moment but there is not a huge surplus, so existing providers would have to expect quite a lot of additional demand. Some of the submissions that came to us raised the possibility that some providers might seize the opportunity to increase their rates, which might take us beyond the cost range set out in the financial memorandum. What is your response to that? There is an opportunity for providers to significantly increase their rates if they know that there is an obligation on the state to provide outdoor learning and that there are not many other places to go.

Liz Smith: You are quite right, Mr Greer; I have heard comments to that effect, but I also heard Nick March's response to that suggestion. I think that the word "profiteering" was used, but he said that that is not happening and that providers are very keen to ensure that it never will, because their work is not about making vast profits out of young people's lives.

One thing that struck me in last week's evidence to the Education, Children and Young People Committee was that providers have taken great trouble to ensure that outdoor experience is articulated with the curriculum for excellence. Pupils are not just out in canoes or climbing Munros—there is far more flexibility. I am particularly struck by something that I hope will strike members of that committee when they go on their visit, which is that centres are far more diverse than they used to be. None of them is into making big sums of money—nor could they be, in the current fiscal climate—so I do not think that there will be profiteering or vast increases in the amounts charged. I do not see that happening.

Ross Greer: I agree that the vast majority of centres are run by extremely motivated people and that a lot of them are social enterprises and are not for profit in the first place.

However, there is an issue. You were at the Education, Children and Young People Committee last week when I raised the issue of Blairvadach, which is a Glasgow City Council-run centre near Helensburgh. Part of the challenge there is that

every time they have a school trip in, they cannot use the space commercially, and they obviously make far less out of the school trips than they do out of commercial bookings. People want providers to keep the rate as low as possible to make it accessible to schools, but inducing demand from schools potentially increases the challenges to those centres around their commercial viability, because there is simply less space for them to take private bookings.

Liz Smith: On the same side of that coin, Mr Greer, is the fact that if those centres were to take bookings from non-school attendees and the price shot up, the temptation would then be to have fewer places for young people, because, obviously, there would be displacement and it would be more tempting for a provider to simply offer the space, not to young people, but to those who are able to pay more. I do not think that that will happen—I see no sign of that whatsoever. In fact, it is quite the reverse in the sector. However, that displacement effect could happen if the centres felt that they had to get an awful lot of extra money from somewhere else, because schools would simply not be able to pay those fees. That would reduce the number of spaces that were available for young people.

Ross Greer: On a different note, you heard the evidence from the NASUWT last week. It said that if provision were moved on to a statutory footing and taken away from the system of good will that underpins a lot of it—that is, that teachers and support staff are willing to go on these trips—it would want to open up discussions with the Scottish Negotiating Committee for Teachers on renegotiating teachers' terms and conditions. That is obviously not factored into the financial memorandum, and there is a potential there for that to be a not insignificant—and perfectly justifiable—additional cost. How do you respond to that? The system of good will does not factor in the point that, in any other job, people are generally paid additionally if they are required to go away for work or work for longer periods of time. That does not happen here at the moment, but moving the matter on to a statutory footing and potentially formalising it, with it being raised at the SNCT, could raise those costs.

Liz Smith: The NASUWT was very concerned about the SNCT aspect. It was able to produce evidence that almost 90 per cent of its members—I think that that was the figure—were very much in favour of school trips, which I thought was encouraging. However, you are right to say that it was concerned about the possibility of the matter becoming statutory and opening up all the tripartite negotiation, which would be difficult.

I must say that the evidence that we have taken from individual teachers, people who work in the

sector and some local authorities—the City of Edinburgh Council, which gave evidence to the committee, is a case in point—shows that a lot of teachers are very keen to try to participate in this kind of thing without it having major implications. I got the slight impression from some of the evidence that a lot of teachers would walk away if they were asked to do extra things, but I do not see any evidence of that in the teaching profession just now. Some teachers might feel like that, but I do not see that as a major issue.

The Educational Institute of Scotland and the Scottish Secondary Teachers' Association said in their evidence that, actually, they really quite like the principles of the bill; we just have to make it work. I have been clear all along that we just have to make it work. I must come up with the right suggestions about how we can make it work and make people feel confident in the bill's financial aspects and its workability. From the feedback that we have had so far, we are halfway there on workability. On the finance aspect, we have to find a workable model that allows the Scottish Government to have confidence that it can pursue the bill.

Ross Greer: I tend to agree with you that this is not likely to be what pushes teachers out of the profession. However, is there not a fairness argument here? A teacher who was to go away on a trip could potentially face increased childcare costs of their own but not be recompensed for them because the matter is not currently formally acknowledged as part of the pay and conditions agreement for teaching staff.

Liz Smith: That happens already. There are pressures on families, of course, and not just from childcare. If a member of staff is asked to go away at a time when his or her youngster is doing Scottish Qualifications Authority exams, that is a pressure as well, because they do not want to be away from home, and that puts pressure on another colleague to be able to take up that work. Those pressures have existed for all the time that I have been involved with the issue.

Ross Greer: I agree that such pressures have always existed, but the point of putting the provision of residential outdoor education on a statutory footing is to induce demand to ensure that more young people get that experience. However, that will result in more pressure, to the extent that a tipping point might be reached at which the teaching unions want teachers' involvement in such provision to be formally recognised.

Liz Smith: Yes, I accept that. It is vital that there is agreement between the Scottish Government, the teaching unions and the local authorities. As we have seen from recent events, we must ensure that people are taken with us.

We have been working on the bill for two and a half years, and we have spent a great deal of time researching how people feel about it. The 535 responses that we got to our consultation on the bill suggest that we can overcome those issues, but we must ensure that people trust in our ability to overcome them. If we do not, it will not work.

Ross Greer: COSLA and ADES, and perhaps some other organisations that made submissions, were keen on a mechanism for annual review, in particular so that any potential issues to do with costs increasing in ways that were not foreseen can be dealt with. Are you amenable to working in an annual review mechanism?

Liz Smith: The bill includes a proposal for a five-yearly review. That was based on a lot of evidence of similar parliamentary reviews. Should that be done on an annual basis? Perhaps. That is more a matter for how Government and the local authorities would see that. If that were to be a specific request of the teaching unions, I would be open to it. Equally, should the general principles of the bill be agreed to at stage 1, I would be open to various suggestions about how we could amend and improve it.

Craig Hoy (South Scotland) (Con): Good morning, Liz. It is nice to see you.

I have a quick question about the estimates in the financial memorandum. You say that the assumption in the bill is that around 60,000 pupils would receive residential outdoor education, but you also identify a range of between 55,000 and 65,000 pupils, which is a range of about 18 per cent. With regard to the cost estimates in the financial memorandum, there is a 66 per cent spread. You said at the outset that, on the basis of what you have heard in evidence, you think that the top end of that spectrum probably represents the most realistic estimate. Where do you think that that range is likely to be? Are we now talking about a 20 per cent range towards the top end? There is quite a big spread—a 66 per cent spread—when it comes to the potential costs.

Liz Smith: That is true, but it is difficult to be precise, because the nature of residential outdoor education is that it is such a diverse opportunity. There is a range in the outdoor education visits that staff go on at the moment in terms of the length of time that they are for, where they are to and how many pupils go each time, and there is a cost in all of that. In some cases, we might be talking about groups of up to 40 pupils; in others, there might be only 14 to 20 pupils.

It is difficult to drill down into the exact number, but it could be around 20 per cent. I think that the figure is difficult to calculate, and the Scottish Government thinks that, too—I know that from the discussions that I have had with it. It is hard to

bring together all the diversities, but your point is an important one. We set the range that we set because we thought that that was the most realistic one, and I think that the Scottish Government agreed with us on that.

Craig Hoy: The table that you present for the year 1, 2 and 3 costs is quite neat, in that the high estimate in year 1 and the high estimate in year 3 are identical. If the operation of the scheme comes in at the high end of the estimates and the uptake is significant over the three years—this is a good risk—is it the case that the high estimate in year 3 would, logically, be higher than the high estimate in year 1?

Liz Smith: Yes, that is correct. If the bill is passed, the big question is how many schools from the primary sector and how many schools from the secondary sector will choose to participate. This is probably more anecdotal evidence than anything that we can pin down to finite figures. We think, certainly from what schools, local authorities and the sector have told us, that we will probably get more young people from the secondary sector in the second year. That was why we thought that the numbers might drop a bit but go back up. They could be slightly towards the higher end in year 3 and beyond.

10:15

Craig Hoy: I have a couple of relatively granular questions about state schools' use of minibuses. What is your impression of the number of schools in Scotland that own and operate their own minibus fleet? Is not one of the issues the capital pressures that schools are under? With the introduction of ultra-low-emission zones and so on, could we be leaning in on a bus network that will not exist, which could lead to higher costs if third sector providers are brought in?

Liz Smith: That is a good question. I have to say that, even after considerable research, it is difficult to tell how many schools have their own minibuses, how many minibuses there are within local authorities or, even within local authorities, how much of that service is deployed to schools. A lot of schools use coach services. Again, it comes back to the numbers. The average school minibus now seats 17. That includes the driver and will almost inevitably include two other members of staff. Realistically, each minibus of the type that we normally see on the roads has only about 14 or 15 pupils in it. A coach can take up to 44 pupils. I have a lot of experience of organising minibuses and so on, and there is considerable variability. It also depends on how far you are going and the capacity of the outdoor centre when you get there.

We do not have all the data on that. One of the fundamental issues is that we need more data. I

was very pleased that the Education, Children and Young People Committee has written to the outdoor centres to get a bit more intelligence back from them about how many people are pitching up.

Craig Hoy: Just to follow up on Mr Greer's question on pricing by centres, one of the responses flags up the point that there could be an increase in dynamic pricing, because the use of centres is quite seasonal. It is probably safe to assume that, if there has been modest or significant capital investment in any centres, they may charge more as a consequence. What is the risk that the pricing landscape may change as a result of higher usage, particularly at peak times, and capital investment?

Liz Smith: It will in some cases. Let us not forget that, because of Covid, there were two years of virtually nothing happening. The Scottish Government very kindly provided £2 million in the first year and an additional £1 million to ensure that the centres were able to stay open. I was very grateful for that at the time because, had it not happened, more of the centres would have shut down.

If somebody goes for a state-of-the-art outdoor education centre, where there is not only an improvement in the buildings and facilities for young people but an update to outdoor activities—if specialists are brought in to do rock climbing or canoeing or whatever—the costs will increase. That might have a knock-on effect, so we would have to be mindful of that.

Craig Hoy: You referred to Wales. In its submission, COSLA says that the equivalent legislation in Wales did not progress due to a lack of funds being available. What is the status of that similar legislation in Wales? Is it likely to come back again? Can any lessons be learned for this bill from the Welsh experience?

Liz Smith: The Welsh bill did not pass, but that was by one vote, which was because somebody was not there to vote—it was a very close-run thing. Sam Rowlands, the Welsh member who promoted the bill, came up here quite a lot and we had a lot of conversations. I followed the bill in the Senedd carefully. Although it was defeated by one vote, the Welsh Government went back to Sam Rowlands and said, “We don't want this whole thing to completely collapse. We're very keen to have outdoor education as one of the basic offerings in Welsh schools.” As I mentioned, the information that is available in Wales is much better than what is available in Scotland, so I think that that bill will come back.

As you know, Tim Farron had a similar bill, before the general election closed it down, and he has been doing the same thing in England. He

comes from the Lake District area, so that is where he gets a lot of his information. When it comes to supporting our young people these days, this kind of thing is even more important than it was in the past. So, yes, I think that the proposal will come back in Wales.

Craig Hoy: You have brought me to my final question, which is on children's mental health. We are aware that there is a real issue with that at the moment. Is it at all possible to quantify what savings you think might be made elsewhere if this kind of programme is embedded at the heart of our school system?

Liz Smith: Identifying savings through preventative spend is inevitably extremely difficult. We have heard many witnesses tell the Finance and Public Administration Committee that it is difficult to put a financial sum on that. However, there is some qualitative evidence that helps, including the experiences that we have heard about from young people about how it has transformed lives. That includes many who have considerable disabilities and additional support needs, and it is pretty compelling.

It is also pretty compelling to hear from their parents and from the teachers in their schools, who feel that the young people are much better able to work from an academic angle when they get back. There is also compelling international evidence that the preventative benefits of spend on outdoor education are considerable.

It is difficult to put precise figures on that for Scotland, but I am convinced that, if youngsters have greater inspiration and are more able to engage in their education because of something like this, they will grow into exactly what the curriculum for excellence wants them to be in its four principles, such as responsible citizens and all the other stuff that is in the curriculum for excellence.

Michelle Thomson (Falkirk East) (SNP): A lot of the questions that I was going to ask have already been covered. You have clearly put a great deal of work into the bill, and you acknowledged some of the main questions in your opening remarks.

On the appetite to get the bill through, one thing that struck me was the Scottish Government's memorandum, which states:

“The financial implications of the Bill on public finances are significant and unaffordable, as currently drafted, and put into question whether the intentions of the Bill are realistically deliverable.”

Those are quite strong words. Although you have indicated that the Government has been supportive and has taken a neutral position, how on earth are you going to get over that hurdle and that statement about the financial implications?

Liz Smith: The unaffordability aspect is important. If we can find additional models that provide extra funding, that will reduce concerns about the bill, although I do not think that anybody is opposed to the bill. That is important, and I have taken it upon myself to be proactive in recognising that there are, of course, issues that put pressure on local government finances.

I was struck last week when Willie Rennie rightly asked the Education, Children and Young People Committee whether residential outdoor education is a priority. That is a good question, because we have issues with teacher numbers, additional support for learning and reading and writing. There are all sorts of pressures in education just now, so is it a priority? My argument is that it is, because the benefits that we get from such education are so demonstrably powerful that we should be doing it.

That begs the question of how we can allay the concerns that the Scottish Government has put to me, and I am working with the Government on that just now. A big part of that work is about the ability to provide additional sources of income.

Michelle Thomson: The convener mentioned the public trust model. Might it be beneficial to work cross-party on that? It strikes me that, if a sound model can be found and adopted, it would have potential benefits for a variety of areas, given current constraints. A few members might be interested in looking at the implications of that generally, but it would also be advantageous for your bill.

Liz Smith: Absolutely. You have done so much to debate funding for music tuition, which has been a major issue—you understand that it is not a party-political issue. The more that we can get cross-party agreement on that kind of thing, the better. My bill, too, is not about party-political issues. I did not lodge the bill because I am a Conservative; I did it because, as an educationalist, I genuinely believe that it is the right thing to do.

Thirty-eight MSPs across the political spectrum have signed and shown their support for the bill, and I have been very encouraged by the way that the Scottish Government has reacted to it. I know that it is neutral on the bill, which I expected—in fact, I might have expected the Government not to have gone for the bill, for the reasons that you set out in your first question. Cross-party working in the Parliament is vital at a time when there are many challenges in trying to address some of the big issues.

Michelle Thomson: I do not disagree. You have made claims about the value of outdoor education. I think that, if the right funding model could be found, the value could be even greater.

Although the benefits are good, they are being derived from only one event during a school pupil's attendance from primary 6 to secondary 4.

I do not have any further questions, convener, because they have all largely been covered.

The Convener: We will see if there are any more questions from John Mason.

John Mason (Glasgow Shettleston) (Ind): That is very kind, convener.

Along with Ross Greer, I have the privilege of being on the Education, Children and Young People Committee, so we have had a lot more background on the bill. I will press you a little more on capital spending, which the convener asked about. The education committee got the impression that some outdoor centres are really struggling and people's expectations of them are rising. Some of the buildings were built in 1939—as it happens, I have stayed in some of those.

The current model seems to be that schools pay for only the running costs and that the capital funding for outdoor centres has to come from other sources. The centres are going around to trusts to beg for money and are fundraising and doing different things. I get the impression that some of the centres seem to be a little more successful than others, but that is to be expected. The suggestion was made that if an outdoor centre hits a major financial challenge, it may well close. The current funding model is working to an extent, but not hugely, and the councils have largely closed their centres. Surely, going forward, the model cannot continue, and some new money must come in on the capital side?

Liz Smith: You are correct in your interpretation of the evidence that the Education, Children and Young People Committee has heard. Some centres are on the brink because of the capital problem. We must ensure that there is greater demand, which would increase support for the centres and the income that they can take in. You are also correct that some centres that have been under pressure have managed to become sustainable because of various charitable trust funds, but some have not. We have to be mindful that some centres are on the brink. It will be interesting to get more of a breakdown on that position, which will come back in the response to the letter that the Education, Children and Young People Committee has sent to the outdoor education centres.

John Mason: Do you have any suggestions as to where the capital should come from?

Liz Smith: A lot of employers are keen to develop our young people's skills and some would like a model of trust funding for this kind of outdoor activity—it does not have to be outdoor education;

it could be other things. Help could be given to our outdoor centres to provide quality provision through additional funding that employers could make available. Some centres have benefited from being able to upgrade some of their facilities.

There is a new outdoor education centre up in Aberdeenshire, and a lady from there gave evidence not to the Education, Children and Young People Committee but to the cross-party group on outdoor education. She told an inspiring story about the funding for that centre. When outdoor education centres do creative and imaginative things, funding can be found, but you are quite right that we must ensure that that can happen not just in a few cases but across the system.

10:30

John Mason: Is there not a risk that, if the provision becomes a statutory requirement, that might discourage trusts from giving money? At the moment, trusts might think, “This is a voluntary exercise in the charitable sector.” Would they have a valid argument in saying, if the Parliament is requiring such provision, the Parliament should pay the money?

Liz Smith: That is not my experience at all; in fact, it is quite the reverse. A lot of people would like to get involved in this kind of thing, because—I cannot say this often enough—outdoor education is about providing skills for our young people and building their resilience. A lot of trusts support young people, many of whom are from disadvantaged communities. That is absolutely right and proper, and it is what we have to do through the bill.

I am determined that the bill be inclusive and that we ensure that a lot of youngsters who do not currently get the opportunity to participate in outdoor education get that opportunity. Trust funds and philanthropists are keen to do that, because they know that, whether in relation to the economy or to society, it is in everybody's interests to provide young people with the skills and the attitude that we need in modern Scotland.

John Mason: You said that you want to be inclusive, and we all agree with that. On your previous point, we all probably agree with the concept. The question is whether we support the bill, largely because of the cost.

Centres in Scotland can cope with those with additional support needs to a certain extent, but there is no one centre that can cope with some of the neediest children. Would the plan be that, in the short term, those children would go to England?

Liz Smith: No, I do not think so. The evidence that was provided by outdoor education centres last week and to the cross-party group shows that more centres in Scotland are doing a phenomenal job with additional support for learning pupils, some of whom have very considerable disabilities. There are some very moving stories. Those do not relate to the financial memorandum, but I think that the Education, Children and Young People Committee will be interested in them.

Scotland is much more aware of its responsibilities to cater for additional support for learning pupils, and that is articulated through the principles behind curriculum for excellence. The Ardroy Outdoor Education Centre and the Outward Bound Trust have done a huge amount to ensure that those youngsters get a really good and positive experience. In Scotland, the level of care for, as well as the number of, young people with serious disabilities or very specialist needs is increasing, and so is the provision for them. Everybody recognises that, to be properly inclusive, we have to ensure that those youngsters get such opportunities.

John Mason: However, none of the centres in Scotland could cope with a whole class from a special needs school.

Liz Smith: No. Under the bill, it is not compulsory for everyone to take part in outdoor education—I have never said that it is. I want the opportunity to be made available for all young people, but it is not compulsory. Some families will choose not to participate, just as some do now, for very good reasons. The bill is not about making outdoor education compulsory, which would be the wrong thing to do. It is about ensuring that there are opportunities for more young people than is the case currently. The University of Edinburgh's analysis from 2019 shows that about a third of pupils from the secondary sector and roughly a quarter of pupils from the primary sector get such provision, which means that two thirds of secondary school pupils and three quarters of primary school pupils do not.

John Mason: According to the savings section of the financial memorandum, it does not appear that the bill will result in a lot of savings. At the moment, it seems to me that parents—better-off parents, I presume—are paying most of the money for kids to have residential experiences. I think that 60 per cent or thereabouts of primary school kids go on residential trips at present. That means that there will be a big saving for better-off parents. Is that the best use of the money? I do not know what proportion of the £30 million, in effect, represents a saving to parents—maybe we are talking about half or a third of it. Is there not a better way of using public money? Some parents are willing and able to contribute, and some

schools say that they benefit from fundraising and from kids working together to raise money for such events. Will we not lose out on all of that?

Liz Smith: There is a discussion to be had about that very sensible question, which you also raised at the Education, Children and Young People Committee. It is true that some parents make a considerable commitment. Successful fundraising programmes in schools also provide quite a lot of extra money. There is considerable enthusiasm about that, because undertaking such fundraising is a real-life learning experience. You are on to something important.

I think that there is some scope for variability in how outdoor education is funded. Quite a lot of parents can well afford to cover the cost with no trouble at all, but a lot of parents cannot, and I am concerned about the parents who cannot afford it, because their children lose out.

John Mason: Would the alternative be to set up a fund of perhaps £10 million that was specifically for schools, children or outdoor centres to apply for to cover their costs?

Liz Smith: I am open to suggestions about how trust models can work. The evidence from elsewhere shows that that can vary. That is an important discussion.

When it comes to ensuring that the bill can progress, there are no two ways about it—the bottom line is funding. That has always been the case, ever since I put the bill into the parliamentary process. I want to have creative and imaginative ideas about how to do that, because it is not satisfactory for me, as an educationalist, to sit back and see some children being left behind.

John Mason: I am sure that we all agree with that.

How flexible would the funding be? Would it be available for things other than going to outdoor centres? For example, some children in the Highlands and Islands are very used to being outside because that is their normal life, so they would like to come to Glasgow and visit museums and so on. It has also been suggested elsewhere that the money could subsidise overseas trips. How flexible is the whole thing?

Liz Smith: I am flexible. Let us be honest—a modern languages trip, or a history trip to the battlefields, is just as educationally valuable as a trip to an outdoor education centre. I am flexible about that, but if we were to say that the bill had to provide for all those things, we would be looking at a different financial memorandum. I am sure that I will be back here answering questions about that in due course.

Education, in its broadest sense, should include flexible experiences. My point is that there is

compelling evidence on the benefits to young people of residential outdoor education. That is why my bill is as it is, because we can get a lot of uptake of good-quality education.

John Mason: Finally, I will press you again on the point raised by Ross Greer and others about teachers' attitudes. At the moment, teachers' involvement in residential outdoor education is voluntary. Although I have not done any studies on this, I imagine that younger or single teachers will be more enthusiastic about it and more able to take part.

The NASUWT told the Education, Children and Young People Committee that it already advises its members not to take part in such trips because that is not part of their contract, but if every kid has to go, or must be given the opportunity to go, do you not think that there will be more pressure on teachers to go on such trips and that they will therefore want to be recompensed for that?

Liz Smith: Yes. I would quite like to discuss that a wee bit further with the unions. I have to say that I have not come across terribly many teachers who want to withdraw from this kind of thing. I was a bit—

John Mason: But we will need more teachers to get involved in residential outdoor education. It will not be possible to rely only on the teachers who are already involved in it.

Liz Smith: No, but I would have thought—this is certainly my experience of young teachers—that if they see existing staff participating and having a really beneficial time, and youngsters under their care having a beneficial time, too, they will want to participate as well.

The issue of teacher contracts is important, and we have to accept that what the unions are saying to us in that respect is very important. However, I do not want to feel that this kind of educational experience will put off teachers and that they will just walk away. I would have to explore further with the unions their comments about why that might be happen.

John Mason: Okay—thank you.

The Convener: Ross Greer wants to come back in.

Ross Greer: I want to come back on the issue of equality and inclusion. You mentioned that, in the overall costings, there was an acknowledgement that not every model of outdoor education is at the high-cost end, which involves going to a centre some distance away from the school. Children could camp close to the school, which would still be of immense value but would come at a lower cost.

My only concern, though, is whether there is the potential for these things to be disproportionate. In those schools where parents have the means to fund additional transport costs, they will be able to go further out and potentially get a higher-quality residential experience, whereas children at a school in, say, a more deprived urban community, for whom going to a centre will obviously involve a significant amount of travel, might be steered towards the lower-cost model of camping nearby. I do not mean to diminish the value of that, but is there not a risk of people having an unequal experience?

Liz Smith: Yes. However, in his evidence to the Education, Children and Young People Committee in the first evidence-taking session, Mr Mannion made it clear that some close-to-home experiences that were provided near schools did not cost terribly much and gave as much educational benefit as a residential experience would.

Therefore, we have to see this in the broadest sense. The bill is not about trying to replace other educational experiences; the experiences for which it provides will be complementary to those experiences. Lots of really good things are happening on school campuses and in the world of outdoor learning—as the Scottish Government has promoted it—and the bill should not displace that sort of thing.

As for whether the ability of parents to pay for outdoor education experiences will have an effect on the choices that a school might make, it might do in some circumstances. The bigger issue is transport, because that is where the cost lies. The point was put to me originally that parents cannot afford the kit, the boots and all the things that are needed for outdoor education, but I was really pleased to hear last week that the centres are largely providing those things now. That is a big change from my day when we had outdoor education, when that really was something that stopped people going. These days, a pair of boots, a decent cagoule and so on are very expensive—it costs a good few hundred pounds to get a child kitted out to do such activities—and the fact that centres are now providing that equipment is a big step forward.

Ross Greer: So you do not think that transport costs, specifically, will result in kids from more deprived urban communities being offered the shorter-distance, lower-cost model and kids from wealthier communities, whose parents can afford to make contributions to transport, getting that additional experience. Again, I am not devaluing the close-to-home, camping-in-a-tent model, but is there a risk of inequality in that respect?

Liz Smith: We have already been told that the transport costs are prohibitive for some schools—

that is very clear—and, indeed, some local authorities are having great difficulty in providing the necessary transport. However, that is the case for all pupils, not just those from more income-disadvantaged backgrounds. We have to be clear that transportation is a cost issue and ensure that it is covered by the various means that I have set out in the financial memorandum.

Ross Greer: Thank you.

10:45

The Convener: One issue is that, if the Scottish Government is expected to blanket pay for everything, there will be no incentive to reduce costs at local authority or school level, because someone else will be paying for it. That is just human nature.

Going back to the trust issue, you talked about people being willing to come in. Without naming anyone, do you have any examples of people who are willing to do so? As you know, my local authority has outdoor centres, one of which is at Clachlands on Arran. It is less than 20 years old and cost £5.5 million. Every single year, when the budget comes up, people talk about all the potential savings that can be made, and every single year, one of those savings, which is always rejected by the council, is the closure of the Clachlands outdoor centre. It is a resource issue rather than a capital issue; the centre has already been built and is already there, but the real issue is staffing. It is always in the paper that Clachlands is under threat and there is always a stooshie about it locally, but I have not noticed anyone coming in and saying, “You know what, I’m a multimillionaire and I’m quite happy to fund the retention of that facility.”

Therefore, if you think that people from the private or charitable sector will be coming in on a huge, all-Scotland scale, I have to wonder how realistic that is. I know that you have talked about Ireland—I am not sure how much funding has come in there—but, at this point in time, I am not seeing anyone who is willing to chip in money to save something that is threatened with closure, let alone something that is, in effect, backstopped by the Scottish Government.

Liz Smith: The Scottish Government—all credit to it for doing so—set up Inspiring Scotland, which is a collaboration involving the Government, the private sector, the charitable sector and the third sector. I have suggested to the Scottish Government that it has a long conversation with Inspiring Scotland, which has been relatively successful and has been a really good thing for Scotland.

Rethink Ireland has raised quite a lot of money from a social perspective, and we can write to the

committee about how it operates. There is also the Ernest Cook Trust down south, which has been very good at providing centres with additional support. I think that we can make that work.

The Convener: I think that the issue is the indefinite nature of that sort of funding. Trusts might or might not come in, but the question is how to sustain that funding year in, year out.

I have one other question about the issue of timescales, which was touched on earlier. You are keen for this to start in 2026, but I have to say that there seems to be no build-up to it. The costings suggest almost full delivery in year 1, and I cannot see how that can possibly happen, given that some facilities will have to be refurbished and additional facilities will surely have to come online. Would it not be better for the provision to be scaled up over, say, three years?

Liz Smith: Yes, I think that there is a discussion to be had about that. Indeed, it will not just be the centres themselves that will have to plan ahead; schools, too, will need time. The guidance will need to ensure that there is time to plan ahead, and it might well be that we will have to move to the next academic session to do that. That is a discussion that I have been having with the Scottish Government.

The Convener: Lastly, when I was at school, my twin sister went to Faskally and had a fantastic time. The teachers just said, "You, you and you are going," and I was not one of the ones who were chosen, so I never got to go. However, when my son went to Castle Toward, he found it deeply distressing; he had never been away from home before and was very upset. Although the pupils were not supposed to phone home, he was allowed to, and as I have said, he was really upset. So, it is not always the boon that some people think it is.

I have to say, though, that when I was 16, I went with my Latin class to Athens and Pompeii and had a fantastic time. John Mason's comments about overseas trips should be considered, too, because you can be wandering around Epidaurus, Mycenae and Marathon when you are 15. I have always been interested in classical Greece, and that kind of thing can be quite inspirational, too.

Liz Smith: I am the first to admit that not all youngsters will benefit from residential outdoor education. A small number do not like it at all; they feel quite pressurised by it, and anxious as a result, and we have to be mindful of those young people.

As for the way in which the centres operate now, they are much more understanding of and care more about that type of young person than was perhaps the case in my day, when you just had to get on with it and did not get much

opportunity to do anything else. That kind of education is changing for the better with regard to looking after the child's best interests. I suppose that, if we want to put it into Government speak, it is about getting it right for every child. I think that that is improving a lot.

We absolutely should include other opportunities from different perspectives, because education is a wonderful thing, which people can benefit from in so many different ways.

The Convener: I have to say that it was £142 for the week in Greece, and, because my parents had nae money, I had to pay for it by stocking shelves in the Co-op at 41p an hour.

Liz Smith: Quite right.

The Convener: Thank you very much for that. Your evidence has been really helpful, Liz. As you know, the committee will deliberate on the matter in due course.

We will have a five-minute suspension so that we can change over the witnesses and give colleagues a natural break.

10:50

Meeting suspended.

10:59

On resuming—

Revenue Scotland

The Convener: The next item on our agenda is our second annual evidence session with representatives from Revenue Scotland on how it fulfils its functions. I welcome Elaine Lorimer, who is the chief executive, and Aidan O'Carroll, who is the chair of Revenue Scotland.

Aidan O'Carroll (Revenue Scotland): I thank the Finance and Public Administration Committee for the opportunity to appear before you this morning. When we attended the committee last year, following the publication of Revenue Scotland's annual report and accounts, we welcomed the opportunity to have at least an annual meeting with the committee, so we are delighted to be here again. I am sure that we will also refer to our annual report and accounts for the year to 31 March 2024, which were laid before Parliament in October.

I want to comment on a few aspects of the organisation's performance. We continue to strive to be as efficient an organisation as possible, with a continued focus on improving our automation, our use of technology and on having a digital-first mindset. In collecting £855 million in revenues for the Scottish Government, we maintained our cost profile below 1 per cent of revenues collected, which is an important benchmark for us. We maintained our investment in our systems and technology, continuing to upgrade our core Scottish electronic tax system. We have also continued to build our in-house team of digital specialists to ensure that we deliver the best value for money and practical improvements in our technology and automation.

In March 2024, we published "Building on Success: Corporate Plan 2024-2027". I am sure that we will discuss aspects of the plan at this meeting. Suffice it to say that we remain focused on enhancing our services to our stakeholders and remaining highly cost-efficient and effective while ensuring that we are engaging with the wider stakeholder community as the tax landscape in Scotland continues to evolve.

Elaine Lorimer and I want to talk about the additional tax responsibilities that we will be taking on over the next couple of years but also about the way in which we are increasingly collaborating with local authorities and other parts of the Scottish Government to share our insights, experience and expertise. I believe that we are a progressive organisation, and I want us to play a full part in the formation and the reformation of tax and revenue policies in Scotland at local and national levels.

I highlight our continued progress on being a great place for our people to work and a fully supportive and inclusive environment in which people can learn and develop. We are delighted with the employee satisfaction scores across a number of measurements, which tell us that we are getting a lot of things right. As we have embedded equality, diversity and inclusion principles into our culture through a strategic steering group, as well as finalising a mainstreaming approach to promote all aspects of EDI in our culture, we can be pleased with the continued progress and the very positive feedback that we are getting with a continued focus on that important area.

We have an excellent board at Revenue Scotland, with great diversity of skills and experience. I want to thank the board members publicly for all that they do and for their support for me as the chair. Over the coming months, we will be recruiting for new appointments, and I look forward to enhancing our diversity through that process. As part of that drive, we have recently conducted a successful campaign to attract co-optees to our audit and risk committee as well as our staff and equalities committee, which will further enhance the diversity of those operating at board level.

Finally, I want to record the thanks of the whole board to Elaine Lorimer and her leadership team for another strong year of progress and to the wider team of great talent that we have at Revenue Scotland. We look forward to continued progress as an organisation that has at its heart the responsibility for effectively managing and collecting devolved taxes for the benefit of public services in Scotland. I thank the committee again for the opportunity to engage with you and I look forward to our discussions.

The Convener: Thank you for your statement—it is much appreciated. I saw Elaine blush briefly at those remarks.

In time-honoured fashion, I will open with a few questions and then we will go round the table so that colleagues can come in.

Revenue Scotland was created by section 2 of the Revenue Scotland and Tax Powers Act 2014, which I remember very well. It sets out a number of particular functions, one of which is to provide information, advice and assistance to Scottish ministers in relation to tax. Does that include input into the Scottish Government's tax strategy?

Elaine Lorimer (Revenue Scotland): Yes. As the committee will be aware, the Scottish Government is about to publish its tax strategy as part of the papers that it will produce for the budget. Revenue Scotland has been involved in providing some input, commentary and feedback

on drafts of the strategy, and we are grateful to Ms Robison for facilitating that for us. We were also invited to various round-table discussions that the cabinet secretary and the Minister for Public Finance led. We have had involvement, but, ultimately, the strategy is not ours—it belongs to the ministers. Therefore, all that we are able to do is provide that input and advice, and it is for them to take decisions on what we have said.

The Convener: Is the impact of behavioural change on tax decisions one of the areas on which you would give advice?

Elaine Lorimer: Not necessarily. The information that we can provide is the official statistical information that we publish, which is available for all to see. Of the taxes that we are responsible for, landfill tax is designed to alter behaviour through the structure of the tax. We are able to provide information at a statistical level, and we are also able to provide information on what we see on the ground; however, for this particular tax strategy, we have not really gone into that in any detail.

The Convener: Obviously, you are not in control of income tax and so on.

Elaine Lorimer: That is exactly right.

The Convener: Where land and buildings transaction tax is set has an impact on behaviour, does it not?

Elaine Lorimer: It might well have an impact on behaviour with regard to taxpayers making choices about which properties to purchase and so on, but that is not something that we would take a view on. What we can do for ministers and the Scottish Fiscal Commission is provide our information on what we see in relation to volumes and value of transactions and the split between residential and non-residential. It is for ministers to draw their own conclusions in relation to the impact of rates and bands on behaviour.

The Convener: You talk about upholding four founding principles that underpin the Scottish approach to tax—certainty, convenience, efficiency and proportionality to the ability to pay. Do you think that six income tax bands is efficient?

Elaine Lorimer: Convener, you know that it is not for me to express a view—

The Convener: Sorry, I was being a bit sneaky there. I just thought that I would try to catch you unawares, early on.

Elaine Lorimer: No, I am afraid that you will not catch me—not on that one. You quote the Adam Smith principles, which, of course, are dear to our hearts.

The Convener: The tax collection rate remained at 99 per cent, and the administrative

cost of tax collection was £7.8 million, which represents 0.87 per cent of tax collected. In his opening statement, Aidan O'Carroll talked about how keeping those costs below 1 per cent is an important benchmark. I notice that there was quite a significant jump over a year, from £6.9 million—which represents 0.71 per cent of tax collected—to £7.8 million. In terms of tax collected, that is a 22.5 per cent increase. Will you talk us through that a wee bit? I should also say that your capital spend was down 28 per cent, by £200,000 from £700,000.

Elaine Lorimer: I will break that down for you. You are referring to the resource costs that we are funded for as an organisation. The committee might remember that during our appearance last year, we described the work that we were doing to prepare to introduce Scottish aggregates tax. We described the small increase in staffing that we would need for that.

The other area for us has been the on-going development of our own capability as an organisation. Digital and data skills are increasingly important for us. As part of our bid for resource funding for this past financial year, we asked for a small uplift to allow us to bring an extra couple of staff into our information and communication technology team. We now employ a data engineer and a business analyst, who helps us with the planning of our new system development for aggregates tax and, more broadly, with understanding the processes that we have as an organisation. The uplift in resource funding was to capture those two elements. In addition, there was the increase in pay that had to be funded as we moved into this financial year as a result of the pay settlement.

You will see from our accounts that there has been an uplift in staffing. I think that we have brought in around 10 staff over the course of the year—

The Convener: It is 11.

Elaine Lorimer: Those staff cover the areas that I have just described.

In relation to capital, we had less capital last year because of the stage that we were at in the development of our tax system. You will see in due course that we will be looking for additional capital to enable us to finalise the development of our system in relation to the introduction of aggregates. We have also been invited to be the tax authority for the Scottish building safety levy when it is eventually introduced. We will look for additional capital for that, because we need to develop our system to accommodate two new taxes.

The Convener: I notice that your staff numbers have gone up from 83 to 94 on average. Do you

envisage the staff complement growing further, given the fact that you have the buildings levy and potentially other taxes on the horizon?

Elaine Lorimer: In essence, we are doubling the number of taxes that we administer but I assure the committee that we will not double our staffing. We expect there to be a small uplift, but we are also very mindful of the cost-to-collection ratio, to which Aidan O’Carroll referred. When we look at how we can accommodate the introduction of new taxes, we absolutely consider our organisation’s efficiency so that the uplift in the staffing complement that we would be looking for is kept at the margins.

We expect a small increase in staff, but we are not talking about many—a handful.

Aidan O’Carroll: The key is also to ensure that we maximise the use of digital, particularly for any new taxes. That should also limit the number of human resources that we would need to add, as long as we are able to ensure that we have good online capabilities with the taxpaying community for the new taxes.

The Convener: I was about to go on to that. On your digital data strategy, I understand that you have

“a vision of a single end-to-end digital tax service by 2026-27”.

In September, we were in Estonia, where the authorities have already achieved that. Where are we relative to other tax administrations?

Elaine Lorimer: The vision is ambitious for us, because our tax system was not set up with that in mind. In essence, what we describe in that statement is a single view so that my staff, who have access to the system, would be able to see the whole journey of a tax return or of a taxpayer interacting with our system.

That is the internal back-office efficiency that we want to create but, at the front end—the public end—we also want to improve the accessibility and visibility of the data that we hold so that agents who represent taxpayers can see in a dashboard format the current state of play for their taxpayer or client or so that a solicitor’s firm, for example, can see a firm view, which shows the status of the various transactions or interactions that it has with us in a single view.

That is what we are talking about when we talk about an end-to-end journey, but we have a bigger vision, which is to have our data in shape so that we are able to share it and join it up with other sets of data that exist within the public service. For example, we are interested in seeing what we can do to join up our data with that of Registers of Scotland so that we are able not only to provide the information that we have about the ownership

of property but to link it with the mapping data that Registers of Scotland holds.

That is where we are on our journey of improving our digitalisation, but we have to recognise that we have only two taxes at the moment and our system was not necessarily created with the view that we now have in mind.

The Convener: I also note that there will be

“significant upgrades to accessibility and assistive technologies”

on your website. I take it that that means that it will not take four years and cost £3 million to upgrade the website like it did for the Scottish Parliament.

Elaine Lorimer: Our website is under continual improvement. Our annual report and accounts relate to last year, but this financial year we have already improved accessibility to our website. We have introduced software called Recite Me. Anybody who comes on to our website can access that software, which allows the website to speak to them.

As a result of user feedback, we are also looking at the layout of our website and the accessibility of the information on the website to ensure that it complies fully with the standards that are expected of a modern digital offering. Those actions are already in train. Therefore, it is not a case of switching the website off and introducing a new website; it is a case of iterating the website that we have.

11:15

The Convener: That is excellent. I was heartened to see that Revenue Scotland’s compliance activity secured £35.5 million in tax, compared to £10.4 million in the preceding year. That is a 241 per cent increase and it represents almost five times the cost of running your entire organisation for a year, so well done. Can you talk the committee through how you achieved that and say whether there is room to increase that further?

Elaine Lorimer: Thank you for the opportunity to explain that to the committee, because it is quite a nuanced position. I will start by paying tribute to and thanking my compliance teams. We have some real expertise in Revenue Scotland now. There are nine different professions represented in our organisation, so our approach to compliance draws on expertise from across the organisation, although it is obviously our tax professionals who fundamentally lead on that.

The figure in our accounts this year represents two areas, one of which is where we have, through our direct compliance activity, come to the view that more tax is due, so additional revenues in that year have come into our accounts on the basis of that compliance activity and the action that we

have taken with taxpayers. Another element of that figure relates to where we have protected revenue, which is where we have undertaken inquiry work with taxpayers and come to the view that, although they might feel that the tax is due to be repaid, we have been successful in arguing the case with them that it is not due to be repaid. Therefore, the figure of £35.5 million is a combination of additional revenues that have come in in-year and protecting revenues that would have had to be repaid had we not been successful in arguing that case. That is a result of our compliance activity.

The Convener: Thank you. I will open questions to colleagues around the table, beginning with Craig Hoy.

Craig Hoy: Good morning. You said that the administrative cost of tax collection has risen from 0.71 per cent to 0.78 per cent, in anticipation of other taxes coming in that you will administer. Do you expect that figure to fall in future years as you get efficiency and economies of scale in place?

Elaine Lorimer: In essence, that number is dependent on two elements. One is how much revenue we bring in, and that is dependent on a range of different factors, not least of which is the number of taxes that we are asked to administer and the estimates of the revenues that are associated with that. The second element is the cost of administration, which is our direct costs as an organisation. Our expectation and our hope—actually, it is more than an expectation; we are determined that we will keep our costs within the 1 per cent benchmark. The ability to do that will come down to on-going investment in our digital systems and keeping a keen eye on the efficiency of our processes.

As the committee might remember, part 2 of the Aggregates Tax and Devolved Taxes Administration (Scotland) Act 2024—for which, many thanks—contained provisions that, in essence, paved the way for secondary legislation to come forward that, after consultation, would allow us to introduce more automation and to rely on electronic communication, rather than having to send some of our more formal applications by post and recorded delivery. We need to get that legislation through, because that will enable us to bring that efficiency back to our organisation. Therefore, there are two elements: we need the taxes that we are collecting to bring in a sufficient amount of revenue; and then the ask of our organisation is to be as efficient as possible.

Aidan O'Carroll: The new taxes that we will be taking responsibility for will raise relatively modest amounts of money compared to LBTT. Therefore, the board's focus is how we keep our costs below 1 per cent. Technology is key, as is investing in efficiency, as Elaine Lorimer said. We are aware

that that 1 per cent will come under more strain as a result of implementing taxes that will not raise as much as LBTT does. We are laser focused on ensuring that we keep our costs below the 1 per cent level, as that is a precious benchmark for us.

Craig Hoy: I want to ask about the rationale for that benchmark. What underpins it? Does it represent international best practice? How does your performance in that regard compare with that of your equivalents in the rest of the UK and overseas?

Elaine Lorimer: It is an Organisation for Economic Co-operation and Development benchmark. It is the only benchmark that we have. It is a bit of a blunt instrument for us, because we do not have the whole panoply of taxes that other tax authorities have to collect. However, when we look at comparable organisations around the United Kingdom and abroad, it is clear that we are right there when it comes to efficiency. Against that benchmark, we are much more efficient than our counterparts in Wales, for example, and we are on a par with our other sister organisations in the UK.

Craig Hoy: Is there an assumption that digitisation will drive costs down over time?

Elaine Lorimer: Yes, that is our hope.

Aidan O'Carroll: Absolutely.

Craig Hoy: On workforce and staffing, the convener identified that there was an increase of 11 in the workforce. There was also a 10 per cent salary increase in 2022-23, other than for the senior management team. Was that consistent with salary increases for the rest of the public sector in Scotland?

Elaine Lorimer: That 10 per cent figure is an average. Our staff are all civil servants. I am in the senior civil service, but the rest of the staff are under the Scottish Government's main terms and conditions. The pay uplift that our staff on bands A to C received was absolutely in line with what had been negotiated by the Scottish Government.

Craig Hoy: If 4.65 per cent was the lowest increase, what was the highest increase that someone in the organisation would have received?

Elaine Lorimer: The highest was a 17 per cent pay increase, which came about as a result of working through what had been negotiated by the Scottish Government as part of the pay negotiations with the unions. That represented a combination of a percentage uplift and an incremental increase. Bands A to C are on step increments, so it was a combination of an incremental increase and the percentage pay uplift that was given.

Craig Hoy: Was there any shift in pension contributions during that period, or are those set centrally for the organisation?

Elaine Lorimer: Absolutely. Our staff are all in the civil service pension scheme, so that is standard.

Craig Hoy: In relation to the internal audit narrative, one of the things that the directorate for internal audit and assurance looked at was the approach to hybrid working. What was the rationale for including that issue in the internal audit function?

Aidan O'Carroll: We introduced a particular form of hybrid working during and post the pandemic, and we wanted to get assurance on the approach that we took, which was a multistakeholder approach. We wanted to make sure that we took on board all our employees' feedback on the ways in which we could work, while at the same time, as an organisation, ensuring that we did not lose productivity as a result of anything that we were doing.

It was important that we got independent verification of our approach and the policies that we have now set. Although we can take a lot of comfort from the fact that our employees are very positive about the new hybrid working arrangements, we wanted to ensure that the processes that we put in place, the logic for those and the evidence-based approach that we took could be properly audited. That was why we chose to get that measured.

The report that came out was very positive about the approach that the team had taken to hybrid working, and we have now implemented the hybrid working model as a permanent arrangement, as opposed to a pilot arrangement, which it was initially.

Elaine Lorimer: Right from the beginning, our approach has been evidence based. When we had the opportunity to review our operating model post-Covid, as we came out of a period of wholly remote working, we did not want simply to slide into an arrangement. We wanted to make sure that it was evidence based. Aidan O'Carroll has outlined some of the elements that we took into account.

Our hybrid model requires anchor activities in the office—not a set number of days in the office each week but activities that it is mandatory to undertake in the office. Our model has allowed us to reduce our footprint—we have halved our accommodation costs as a result—and to be less Edinburgh-centric with regard to where our staff are recruited from and where they live. Although we recognise that Victoria Quay is still our office space—staff have to be prepared to come to Victoria Quay—we now employ people from all

over Scotland, which has meant that the attraction of Revenue Scotland as an employer is coming through in the quality of candidates that we are able to recruit.

Craig Hoy: My final question is on the assessment of the tax gap. I am assuming that the tax gap is the gap between the tax that an organisation such as yours would expect to get and the tax that it ends up getting. You have said that, where self-assessed taxes are concerned, you are not in a position to estimate the tax gap. Could you elaborate on that point? What are the barriers to your ability to do so, and how do they play into the successful compliance work in which you have engaged?

Aidan O'Carroll: Because we are dealing with self-assessed taxes, which are very different from income tax and automatic deduction under pay as you earn, for example, or the payment of corporate tax, we cannot look in the traditional way at where a tax gap would appear. We take the evidence that we have from the returns that we have made, and we also look at the quality and first-time accuracy of those returns.

As Elaine Lorimer alluded to earlier, there might be a potential gap in relation to the correct implementation of self-assessment. We consider that point and try to ensure that we are getting the 99 per cent compliance and that it is accurate. However, that does not give us the information on what we might expect to see.

The Scottish Fiscal Commission might set out its forecasts of where it thinks that LBTT would be—we feed our factual evidence into that, obviously, which helps to inform the Scottish Fiscal Commission's forward projection. However, that is not an effective tax gap—it is simply about estimating where the economy is and where the transactions are at a particular time, particularly on the LBTT side, and what we would expect to receive. With regard to the work that we do with the Scottish Fiscal Commission, the estimation has been pretty accurate. For the taxes that we are dealing with, the tax gap question is not as relevant as it would be for other taxes.

Craig Hoy: With regard to the success that you have had in relation to compliance and recovery—obviously, the recovery of taxes that were not paid, rather than those that you did not hand back, as it were—is the model that the more effective you are with compliance, the less likely people are to just chance their arm and not pay? Do you expect that position to improve over time?

Aidan O'Carroll: I will let Elaine answer that.

Elaine Lorimer: Our ideal, of course, would be that we do not have to do any compliance work because everybody is compliant.

Craig Hoy: I suspect that you are backing a loser there.

Elaine Lorimer: We see our job as making it as straightforward as possible for taxpayers to understand their obligations and to know the amount of tax that is due. Obviously, we hope that some of the compliance work that we do provides a bit of a deterrent, but human nature is such that there will always be a need for us to do that work.

What we are finding interesting is that, because so much information is held digitally now—I know that I talk about data and digitalisation quite a bit—it is becoming, and will become, the core of our operations. We are interested in having access to other data. For example, we have a pilot running under the Digital Economy Act 2017, which is a United Kingdom piece of legislation, that is the first of its kind. We are the first Scottish project under that legislation, with three local authorities that are willing to share their non-domestic rates data with us. That allows us to clash that data, if you like, with the information that we have on non-residential land and buildings transaction tax. The more we are able to compare our data with other publicly available data sets like that, the easier it is for us to do our compliance work and the greater the deterrent to people giving us one set of information and a local authority an entirely different set of information.

11:30

Aidan O'Carroll: We said last year that we were launching a publicly available document on our litigation and settlement approach, and our settlement strategy. Where we do ultimately have to go to litigation, it needs to be the right cases for the right reasons—in order to stop a certain behaviour or to ensure that we are collecting the correct amount of tax. I would say that, based on what the team have been doing, that strategy is effective. In the most recent seven cases that have had to go to tribunals, Revenue Scotland's view has prevailed in relation to closing a perceived loophole or ensuring that we are correctly attributing tax through the additional dwelling supplement—residential and non-residential—which tends to be one of the main areas of dispute at the moment. The more we do that and get that message out publicly, the fewer disputes we should have. That is in everybody's interest, because disputes are costly.

Craig Hoy: There is quite a big differential in LBTT between Scotland and the rest of the UK. In terms of the pre-compliance work and any subsequent recovery work, is there a difference between the patterns of behaviour that you see north and south of the border?

Elaine Lorimer: I am not able to comment on that. My team would be able to give you the answer to that, but I cannot give you an accurate answer, so I should not even try.

Craig Hoy: Okay. I am just interested in whether there has been any behavioural shift in the jurisdictions.

Elaine Lorimer: We have excellent working relationships with our counterparts in HM Revenue and Customs. Part of our compliance approach, under our legislation, is that we are able to share data with HMRC and vice versa. Where we have interests in particular types of transaction or particular taxpayers, we are able to work collectively and collaboratively with HMRC.

John Mason: I want to ask about the 1 per cent for admin costs. I am wondering how realistic that is going to be. I saw that you have been doing work on green freeports relief; I suspect that that relief might mean that your revenues fall. You have also been doing work on the Visitor Levy (Scotland) Bill, and you might not get very much money out of that. Is the 1 per cent realistic? I get your point about digitisation and that kind of thing.

Elaine Lorimer: It is important to point out that the visitor levy is not a tax that we are collecting. It is not our responsibility. It is a tax that local authorities have been given the powers to collect. The role that we have proactively taken with the visitor levy is to offer our expertise in self-assessed taxes to local authorities, COSLA, the Society of Local Authority Chief Executives and the local government Digital Office. The visitor levy is a self-assessed tax, and local authorities are not used to collecting self-assessed taxes. That has been our remit. We would not factor the visitor levy into our revenues.

You make a point about what our future revenues might look like, particularly given the two new taxes that we are due to take on. The revenues associated with that are smaller than LBTT revenues. LBTT is the main tax, in terms of the revenue that we bring in. As you know, we publish our stats on LBTT every month. This year, we are on a par with the Fiscal Commission's forecast. If you were to look at—

John Mason: Is that above last year's level?

Elaine Lorimer: Yes, it is. It is more than £900 million, which is what our forecasting expects us to bring in on LBTT, which is both LBTT and the additional dwelling supplement. If LBTT holds up and we maintain our efficiency in the introduction of the other taxes that we are being asked to operate, and if we continue to invest in digitalisation, our view is that we should be able to stay within that 1 per cent, but it is going to become increasingly challenging.

John Mason: On a completely different point, you still have one female and six males on the board. How long will that continue, and when will there be a bit of a balance?

Aidan O'Carroll: We will have the opportunity to address the balance quite soon, as we will be recruiting for two board members at the turn of the year. I am hoping, based on the discussions that I have had with the chair of the selection panel and the ethical standards commissioner, that we will be able to progress our diversity, and our gender diversity, in that recruitment process.

I have also mentioned that we recently made offers to three co-optees to work on our audit and risk committee, as well as the staff and equalities committee, which will improve our gender statistics. Those individuals will learn on the job and could become future board members, either at Revenue Scotland or another public body. That is positive.

The constraint that we had in 2021 on our ability to progress any form of positive discrimination has changed. A little bit more flexibility has come from the changes that have been laid out in the ethical standards commissioner's updated code. Again, I am hopeful that, in the process that we are about to go through, we will be able to ensure that we improve diversity more broadly, as well as gender diversity. The issue is very close to my heart because, as you know from our discussion last year, I was somewhat frustrated by the process in 2021.

Elaine Lorimer: Of course, it was the commissioner for public appointments.

John Mason: Right, okay. That is fine.

The report indicates that service user satisfaction is at 76 per cent. Is that good or bad?

Elaine Lorimer: We think that it is good, but it is not good enough. We set ourselves a new target in our key performance indicators for our most recent corporate plan. The figure has been taken from the UK Institute of Customer Service, as we wanted to go to an established, recognised institute to arrive at the benchmark. As I understand it, the national score was 75.8 per cent, so we are within range.

Obviously, we have ambitions to have a better customer service satisfaction score, so we are doing all that we can to reach out for feedback in an even more proactive way than we have done in the past.

Feedback in the report comes from users of our SET system and users of our website. This year, we have started to plan to do more work to reach out to people more broadly. As part of our on-going relationship with the aggregates industry and taxpayers' agents, we will be looking for more

qualitative feedback, rather than just quantitative feedback. I am fairly certain that our board will be looking for us to stretch that target over the course of the period that is covered by our new corporate plan.

John Mason: Your compliance figures look good. I presume that part of your job is to upset people who do not want to pay tax, and that your customer satisfaction score could never be 100 per cent, because some people just—

Elaine Lorimer: Exactly. We will never get to 100 per cent. Part of the culture of Revenue Scotland is that, in the delivery of difficult messages, it is how we deliver them that matters.

John Mason: I picked up that you have had a few issues with the three-yearly lease reviews. Could you explain why we have the reviews and what the problems were?

Elaine Lorimer: Three-yearly lease reviews are set in the LBTT legislation. Essentially, if you are a leaseholder, you should submit a return to Revenue Scotland every three years, whether your position in relation to your lease has changed or not. If you have a lease that runs for 10 years, for example, you should be sending us a return at year six and year nine of your lease.

This is the hardest bit of the legislation for us to operationalise, because it places us in direct contact with the taxpayer after the event. When someone enters into a lease for a non-residential property, they will normally use a solicitor or another agent of some description, who will put the return in. That is often where the relationship ends. Three years down the line, we expect that taxpayer to understand that they should send us a lease review return. We have found that, over the period, we have struggled to get above 50 per cent of taxpayers who are in that category to respond and produce a return on time.

That has been a concern to our board, because it is an element of our legislation that is not performing well for us. We have to remember that it is a self-assessed tax, so the obligation is on the taxpayer to make the return. We recognised that this was increasingly a problem for us, and so some of the changes that we have made in the past few years were about trying to make it easier for the taxpayer to understand their responsibilities. We contact them beforehand to remind them of their responsibility.

We are, of course, finding that our data is not necessarily accurate because the lease might no longer be held by the taxpayer, and there can be changes to addresses and so on. We correspond with them and send them messages if we have their consent to do so. We have involved the Law Society to see whether solicitors could let their clients know that they have a responsibility that is

due. In spite of all that, we still find it difficult to get above 50 per cent.

John Mason: What was the reason for the three-yearly reviews? Most 10-year leases will not change.

Elaine Lorimer: This is my understanding of the policy. During the period of a lease, there could be rent reviews in which the value of the lease would increase or, indeed decrease. The lease review provision is to ensure the right amount of tax for the duration of the lease. A net present value calculation has to be done.

John Mason: It is not just an admin thing; it could involve tax revenues.

Elaine Lorimer: Yes, and that takes me on to my next point. The taxpayer is under an obligation to put the return in and we have made it as easy as possible for them to do that. Some of the changes to our system allow for the pre-population of data.

When additional tax is due, it should be paid at that point. There can also be reimbursement of tax—because of the recent economic situation in Scotland, we have found that sometimes we have to repay tax in some areas. With the data that we have thus far, and recognising that on-time returns are still at the 50 per cent mark, we do not find that a huge amount of additional revenue is being produced.

If we were to separate out the different elements of the taxes for which we are responsible, that is the one area in our admin costs in which we are inefficient, and it is because of the legislation that we have to operationalise. I describe it as our organisational bind, because we have no discretion—we have to issue penalties when returns are late or not received at all.

John Mason: Okay. That is helpful. Perhaps the issue can go into Liz Smith's finance bill when it comes along.

The Convener: I was thinking exactly the same thing, funnily enough.

John Mason: It might need to be reviewed. That is great, thanks very much.

The Convener: Great minds think alike.

Liz Smith: When we had the debate about changing from a reserved aggregates levy to a devolved aggregates tax, there was an interesting discussion prior to the implementation of that law about how good we are at understanding how much of a reserved tax is collected from Scotland. I know that you are not responsible for that, but do you have better sight of the information and data on how much tax is being collected from reserved taxes than you had previously? There was a bit of

a muddle when we had this discussion the last time that you were here.

11:45

Elaine Lorimer: You are right that it is not for us to take a view on that. We are working on the basis of the information that the Scottish Government has received from HMRC.

We have found with landfill tax, which I think is the easiest comparator, that, certainly in the early years, we brought in more tax than was originally forecast. That is because we were much more present and because we worked hard, and continued to work hard, to ensure a level playing field for the industry.

Liz Smith: The committee had a witness from HMRC who, at the time, found it difficult to tell us how much of a UK tax had been raised in Scotland. I was a bit surprised that they did not have the data on that. I am pleased to hear that you think that there is a greater understanding of how—

Aidan O'Carroll: That area has not really been a focus for HMRC, specifically in relation to the aggregates tax. I do not think that a lot of resource was put into compliance activities and so on around that.

Liz Smith: It is quite important for the overall tax burden in Scotland.

Aidan O'Carroll: We have found that, through the engagement process that we have had to date with industry, we are getting a lot of pointers that will be quite helpful for future compliance activity in Scotland for the businesses that are based in Scotland. I am quite confident that there will be a smooth transition and, at the same time, we will have good information on what is being extracted and where.

Liz Smith: That is good to hear, because, obviously, the better the data, the better it is for policy makers.

Elaine Lorimer: We have been working closely with aggregates industry bodies, and we are building up our understanding of the industry all the time, including who the operators are and where they are located. All that builds our capability, so that, by the time the tax goes live, we should understand the industry pretty well.

Liz Smith: That is very helpful.

Michelle Thomson: I have a few questions. The first is on the potential for delegation to Registers of Scotland and the Scottish Environment Protection Agency. You can delegate responsibilities to those bodies, but you remain accountable. Can you talk me through your risk assessment to ensure that nothing goes awry with

that? It is not that I have any particular concerns, but any form of delegation brings risk—that is where I am coming from.

Elaine Lorimer: We no longer delegate any part of our function to Registers of Scotland, although we have powers to do so and we did so originally. Initially, it processed paper returns for LBTT for us, but now we have very few of those, so we do that.

SEPA is the bigger partner for our taxes. For the Scottish landfill tax, we have a very structured memorandum of understanding. We also have important underpinning documentation on data, data transfer and the security of that. We have regular senior-level meetings with SEPA; I meet one of its chief officers regularly to discuss its performance.

SEPA has a small number of staff who are security cleared to work on our taxes, and they sit within a small team in SEPA. SEPA is very clear that it needs to provide us with assurance on how that team operates and on information sharing. One thing that we would like to be able to do, but cannot because our legislation does not allow it at the moment, is to share more data internally in SEPA than we currently can. At the moment, things are absolutely ring-fenced to the tax function that we delegate to SEPA.

In addition, as accountable officer, I receive certificates of assurance as part of our annual report on accounts, and I receive a very detailed one from SEPA. Since the troubles that it had with the cyberattack that it unfortunately suffered, SEPA goes to quite significant lengths to ensure that it is able to provide me with assurance around its ability to continue to protect our data and to operate in the event of any business continuity issue that might arise.

Michelle Thomson: You have already answered my follow-on question. That was fairly well documented.

This is a question that I asked you last year, but I will ask it again, because I am going to put it to every public body that comes in front of me at any committee. How are you preparing for the potentially exponential growth in the use of artificial intelligence? What is your thinking this year compared with last year? What external consultants are you using, and what is your risk assessment? This is just a checkpoint.

Elaine Lorimer: We are not using any external consultants on artificial intelligence, because, with our budgetary position and the constraints on discretionary spend, we are not in a position to employ consultants to support us in that sort of analysis. We are fortunate that we are closely aligned to the Scottish Government, so we have access to the expertise that exists in the

Government on artificial intelligence, and we are plugged into the digital directorate and the work that it supports. We have a board member who is an expert in digital systems, and he, too, has provided us with support.

We are already using automation, and we will continue to develop that. On our position in relation to whole-heartedly embracing artificial intelligence, I think that I said last year that we would not be first in the queue to do that, and I maintain that position this year. As a tax authority, we need to be open to the possibilities and ensure that we connect with those who understand more about artificial intelligence than I do. However, we also need to be cautious, because we are conscious of the data that we hold, and we must ensure that the introduction of any other form of artificial intelligence beyond automation is done in full cognisance of the risks that that might bring to our organisation.

Aidan O'Carroll: We have also engaged with NEC Software Solutions, which is our main information technology provider, to ask what it is seeing across its spectrum of delivery. That insight has been quite interesting.

As a board, we will always look at whether there is an opportunity for better automation, so that we can cut out manual processes, or whether there are better algorithms to apply to the data that we have, so that we can be even more efficient and effective at spotting anomalies in that data. From a practical perspective, that is principally what AI might drive for Revenue Scotland: algorithms that, in the future, we might be able to run across the data that we have in order to create better compliance activity.

Michelle Thomson: The third area of potential risk is AI-enabled cyberattacks, which have become increasingly more sophisticated. Is that something that you expect your new digital person to consider in more detail?

Elaine Lorimer: Yes—absolutely. In our strategic risk register, cyber is right up there as one of the top risks that we pay close attention to, to ensure that our data is protected and that we are doing everything that you would expect a public body to do to protect its systems.

Over the past year, we have run audits of our systems in relation to cybersecurity. We have continued to ensure that we upgrade all the time, so that we can provide assurance to our board around protection against cyberattack. We have also run a business continuity exercise specifically on cyber. We will run another one in the next couple of weeks specifically on a cyberattack.

When the audit team looked at our approach, one of the recommendations that it came up with was that we needed to do a bit more intensive

work on the management of the relationships with our third-party suppliers specifically on cyber by interrogating them about the plans that they have in place and, potentially, involving them in some of the business continuity exercises that we run. We have adopted the recommendations of that audit.

I can say—and Aidan O’Carroll might want to say on behalf of the board—that cyber is one of the top risks that we always pay attention to. We rely on third-party suppliers, so we do not carry systems in-house. For example, we rely on the Scottish Government for the security in its SCOTS connect network, which is what our system sits on. We rely on NEC, which is our main supplier, for our tax system. It can provide us with a very high level of cyberassurance. Those are the two main areas where we need to focus our attention. We must not take anything for granted.

Aidan O’Carroll: One of the co-optees that we have put a job offer out to is a cybersecurity specialist. The board is acutely aware of the issue. The dangers of a potential cybersecurity attack keep me awake at night and I think that they would keep every board chair awake.

Michelle Thomson: I regard the fact that that keeps you awake as good news.

We have talked about your risk assessment in general. In the context of the constraints in public sector funding, you have already commented in response to a number of questions about things that you cannot really afford to spend on. You just referenced the Scottish Government’s human resources and finance corporate transformation programme. Are you alluding to the possibility that that could mean further restrictions or lack of growth in funding or is it as much about what that might bring to you? I am interested to hear a bit more about that.

Elaine Lorimer: I referred to the SCOTS connect network, which is not part of the corporate transformation programme. We still have the corporate transformation programme in our risk register, although the risk level is reducing. Last year, it was quite a high risk for us as an organisation. We had it on our risk register because of the programme’s introduction of an Oracle system, which has become the bedrock of our human resources system and our finance system.

At the moment, that does not impact on our tax system because our board took a decision a few years back to break away from the Scottish Executive accounting system—SEAS—for tax transactions. Our tax system and our tax transactions sit outside the corporate transformation programme, which meant that I, as accountable officer, did not feel that we were taking on as much risk as we could have done

with the introduction of a system over which we had no control.

The reason that it was a risk for us was because we relied wholly on the Scottish Government to introduce that system with all of our HR and financial transaction data based on its testing. We had no involvement in the testing of the system either. We engaged at every level to ensure that we understood what was coming our way. Along with peer organisations, we also influenced as much as possible the approach to public bodies like us. Around 30 organisations are customers of the Scottish Government’s shared services.

The system went live in October. To the great satisfaction of all, my staff were able to be paid at the end of October, so the data had been transferred. Basic things like that were really important. If the Oracle system is able to be rolled out in the way that we hope, it will give us great functionality and brilliant access to data in a way that we did not have under the old system, but it will take time for it to be rolled out. It still sits in our strategic risk register, but the risk level is declining now that it has gone live. It is now all about operationalising the new system and maximising the benefits from it, while recognising all the time that it is not our system—we are just a customer.

As for our relationship with the Scottish Government, we want to move ourselves into a position where we class the dynamic in a different way. A number of us—chief executives and other bodies—talk about the intelligent customer, and we really want to be seen as intelligent customers of the system, given the plans for it.

12:00

Michelle Thomson: Lastly, every time that you come in front of us, you always talk very positively about the culture that you are fostering. I regard culture in organisations as hugely important and, of course, something that comes from the top. Often, the culture of an organisation stays endemic to it, even after the original people have moved on to different things. What is your guiding philosophy? What are, if you like, the top trees that you are planting that will grow and bloom for generations after we have all moved on?

Elaine Lorimer: That is a lovely question. Yes, I am very proud of the culture that we have created in Revenue Scotland, but I am not complacent about it at all. Our people survey results for the current year will be out in the next few days, and we will wait and see what they say, but one of the things that I think that we have managed to create is trust between the leadership and the staff. We engage with our staff and involve them in decisions about our organisation, how we are evolving or how we are changing the corporate

plan, and all of our staff are involved in that. There is regular on-going engagement.

I would like to think that our staff see that, when we say that we will do something, we do it—we follow through. What they see is authentic leadership. Even when we have to deliver difficult messages, we can deliver them in a way that lands with an impact that people appreciate. That is the way in which we lead.

For me, trying to create a culture that continues to evolve, but which keeps all the good bits as we get bigger and older as an organisation, boils down to the people whom you employ. Therefore, it is important that, when we make decisions about anyone who joins Revenue Scotland as a member of staff—everyone, irrespective of grade, from the most junior member of staff up to the most senior—we look for not only talent but attitude. We are looking for people who are interested in delivering public service and in making their job as good as it can be. In other words, it is not just about what they come in to do each day; it is about their thinking about how they can make it better, how they can be more efficient and how they can work with their colleagues to deliver a better service. That is the sort of culture that I have tried to embed in Revenue Scotland. As more senior people get appointed, I am looking for leadership that is imbued with those sorts of values and which, obviously, brings its own authenticity, too.

In my career, I have had experience of all sorts of different types of organisations, and I have had experience of working in organisations where I understood very early on the importance of the tone that comes from the top. That is something that I have taken with me as I have gone through different senior leadership roles in my career. This job at Revenue Scotland has enabled me, by employing the people whom we have employed, to foster that sort of ethos, which I hope will be lasting.

I think that the board has a really big responsibility here, too. The tone is set not just by me, but by the chairman and the members of the board. Aidan O'Carroll made me blush earlier in the session, so I am going to make him blush now and say that the tone set by him and the board is very complementary to the tone that I have set. That makes for a really strong team not just in how we represent our organisation externally, but in how we work with our staff internally.

Michelle Thomson: You knew that I was going to ask about the board, so thank you for bringing that in, too.

That is me as far as my questions are concerned, unless you have anything to add, Aidan O'Carroll.

Aidan O'Carroll: The board has also been more visible in the past 12 months as part of a deliberate policy to engage more with staff, attend staff events and so on, so that we are not seen as somewhat distant from the business. I think that that has been very helpful, too.

Moreover, I think that delivering inclusivity, not just as a word or a concept but in our actions, is really important. Although we score really highly in a lot of the engagement indices in the survey—and I am not predicting what the scores will be this time round—I just want to reiterate that you can never be complacent, because if you are, the culture can just change overnight. That has certainly been my experience in the private sector.

It is all about trying to ensure that we do things consistently, that we are transparent and that we sustain what we are doing throughout the organisation. That will hold us in good stead for the future—and my successor, too.

Michelle Thomson: Thank you.

The Convener: Before I bring this love-in to an end, do you have any final points that you want to make to the committee? Is there anything that we have not touched on that you would like to emphasise?

Aidan O'Carroll: I do not think so. We have had a good round-table discussion, which I am really thankful for, and which I hope that we can continue, at least on an annual basis. I regret that we were unable to run an event in Parliament to coincide with the launch, but that was really due to certain cost pressures and controls. If the opportunity were to arise in the future, we would be very glad to take it.

The Convener: You could always have an exhibition outside the chamber at the bottom of the members' block. It does not cost anything.

Elaine Lorimer: There is a 15-month waiting list.

The Convener: I know. That is because it does not cost anything. *[Laughter.]*

Elaine Lorimer: The only thing that I wanted to do beyond thanking you very much for your time and your questions was to remind the committee that next year is our 10th anniversary as an organisation. We have some plans that we would like to bring forward with regard to sharing our learning of setting up a tax authority from scratch and really banking that, as well as looking forward. No doubt we will, in due course, come to talk to you about that.

The Convener: Thank you very much for giving evidence today. That concludes the public part of our deliberation, and we will have a two-minute

break to allow our official report and broadcasting colleagues, and witnesses, to leave.

12:07

Meeting continued in private until 12:19.

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Official Report
Room T2.20
Scottish Parliament
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Email: official.report@parliament.scot
Telephone: 0131 348 5447

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