

Budget Bill – an opportunity to combat austerity

Feb 2016

Introduction

This briefing covers the [Budget \(Scotland\) \(No 5\) Bill](#) that is currently being considered at Stage 2.

As noted, in the foreword to the [draft Budget 2016-17](#), the UK Government's austerity programme continues. By 2020 public services spending in Scotland will be cut by a massive 12.5% in real terms since 2010. However, there is little in the Budget Bill that grows the spending envelope to combat austerity in Scotland. This is the first year of the Calman power over 10p of income tax, but the Scottish Government is not using it. There is a new 3% LBTT supplement on second homes, although it is less clear why properties below £40,000 are exempt. Other Scottish taxes increase with inflation and the Council Tax is frozen.

We agree that the UK Government has imposed massive cuts by choice, not necessity. However, the Scottish Government has choices too and is shunting austerity onto councils, with devastating consequences for services and jobs. As [COSLA said](#) on 8 February, the financial settlement for local government is “*undeliverable without an unacceptable level of cuts to services and staffing.*”

Local Government

Local government is once again the big loser, leading to severe concerns for the vital council services everyone relies on - particularly the most vulnerable. Local authorities have been forced into a financial settlement, including the 9th successive year of the council tax freeze, due to draconian financial penalties. This year's budget is taking 3.5% or £350m out of local government, which is 5.2% or £500m in real terms. Unavoidable commitments, such as employer National Insurance contribution increases could double the cuts. As well as direct reductions to services, this could mean another 15,000 job cuts for local councils. Of the 50,000 jobs that have already been lost in devolved public services, 40,000 have been in councils.

We welcome the £250m for social care, which could be used to help address the staffing crisis. However, this is being routed through the NHS budget and we have not been provided with any detail as to how much is to be allocated for staffing and how the Scottish Government will ensure that the Scottish Living Wage will actually be paid. Employers are apparently to be asked to make a contribution, but again no detail. We would argue that any proposals should ensure that the better employers in the sector are rewarded fairly.

The income from non-domestic rates is the second largest source of revenue after the Scottish Rate of Income Tax (SRIT). This year the estimated revenue is down by £31m, 2.8% in real terms. This decrease does not reflect the Scottish Government's optimism about economic growth and in previous years the estimated income has risen considerably, e.g. by £150m last year. The Finance Committee, in its [report on the draft Budget](#) also questioned why the forecast for NDR Income is falling. Given the substantial under spending in the Scottish Budget in recent years this has the potential to create a further under spend – too late for those who will have lost their jobs. We believe a modest increase in the revenue estimate is justified, putting around £100m back into council budgets.

We welcome the Scottish Government's decision to relax the overly prescriptive loan fund rules. This is long overdue and something UNISON has [argued](#) for. If sensibly applied by councils it could result in significant savings. This is one of a number of austerity mitigation proposals that UNISON has

highlighted in our report '[Combating Austerity](#)'. In particular we believe that the Scottish Government and local authorities could use existing and new powers to refinance PPP projects and other expensive forms of borrowing.

Health

The Scottish Government aims to protect the health budget; although it's clear to those within the NHS that increasing pressures and demands mean more is being asked for within the 'protected' budget. Health boards will benefit from a 5.5% increase, although £250m of this will go to Health and Social care Partnerships 'to ensure improved outcomes in social care'. We welcome the recognition of how social care can relieve pressures on the NHS, particularly by alleviating delayed discharges. However, as [Audit Scotland](#) recently highlighted, these budgets have not all been finalised and it remains to be seen how much will actually reach desperately underfunded social care services. Health Boards are [reporting](#) significant financial pressures and will argue that their budget increase is needed for the growing demands on the NHS.

Police and Fire

The Scottish Police Authority budget is also cut by £12m in real terms although mostly on capital spending. The financial cuts are compounded by the cosmetic police officer target that takes police officers out of operational roles to replace trained police civilian staff at up to twice the cost. The statutory duty of Best Value has effectively been abandoned.

We welcome the £4m uplift for community justice services. Fire and Rescue has a somewhat larger cut of nearly £20m in real terms and that will add to the financial pressures on the service.

Others

There is little good news for NDPBs in the budget. Food Standards Scotland faces a significant cut, as does Skills Development Scotland. The fair work, skills and training budget is cut by £13m in real terms. Scottish Water will make a net contribution to the budget of nearly £100m – a point worth making to those who have argued for privatisation.

Austerity

The Scottish Government has stated that it will seek to mitigate the worst effects of these cuts and protect key public services. Yet, unless you increase the overall budget available, protecting one service area inevitably means cuts to another, at a time when all are under increasing pressures.

It used to be the case that the Scottish Parliament didn't decide the size of the budget, merely how it is divided up. That is no longer the case, because Parliament now has the Scottish Rate of Income Tax. We agree that the Calman powers are flawed, but they are still [progressive](#) and there will be an opportunity to make it more progressive when the new Scotland Bill's powers are implemented. It is not credible for UK or Scottish Ministers to reference the impact on public sector workers, when those same ministers determined the pay policies that have cut their wages in real terms.

As departing CoSLA Chief Executive Rory Mair said: "*Scotland and local government have the power to raise more tax. So why are we keeping tax the same and making public service cuts? That's the very definition of an austerity budget. If you self-deny the ability to raise more money and you decide that the way to deal with a downturn in resources is to cut, however you dress it up, that's an austerity budget.*"

Conclusion

We would urge MSP's in considering this year's budget to look at every option to mitigate austerity in Scotland. Unless we increase revenue, vital services will be cut and thousands more will lose their jobs. We hope MSP's will choose to combat austerity, not simply pass it on to community services.

For further information contact [Dave Watson](#) Bargaining and Campaigns Team on 0141 342 2840.

This UNISON e-brief is intended for Members of the Scottish Parliament. If you have received this email in error, or if your email address is changing, please [contact us](#).



Follow us on

