

# Scottish Spending Review 2011

### Introduction

The Scottish Government has published its Spending Review for the next three years. The Review sets out the budget allocations to deliver the Government's plans (see Briefing 12). Related documents cover pay policy and the Government's response to the Christie Commission recommendations on public service reform. This briefing is an initial commentary on the plans.

### Context

The Scottish Budget is facing unprecedented cuts in line with the UK coalition government's ideological attack on public services. Expenditure in real terms will fall by 11.3% by 2014-15. Expenditure levels are unlikely to return to 2010 levels until 2026. A total cut of around £39bn. In addition demand pressures could add £27bn over that period together plus the additional SNP manifesto commitments.

### Pay

The Government has announced a further pay freeze for the coming year. For staff below £21,000pa there will be a £250 payment and the Scottish Living Wage will be uprated to £7.20ph. However, these payments to the low paid do not automatically apply across the public sector. The intention is that this is the last year of a pay freeze and 'modest increases' are promised in years to come.

The pay freeze will mean a double digit cut in the living standards of public service staff and again workers will be making the biggest sacrifice towards funding a deficit that they did not cause. The policy of no compulsory redundancy will continue, but again only for those staff directly under government control. They also argue that staff benefit from the 'social wage' including the Council Tax freeze. However, that tax freeze benefits the wealthiest house owners the most and does little for low paid staff.

### Pensions

The Scottish Government will impose 50% pension contribution increases for NHS staff because the UK Government will dock their budget if they don't. There are no similar consequences for staff covered by the Local Government Pension Scheme so they have decided not to impose increases on them.

While we welcome the decision in the LGPS we are disappointed that a similar decision was not taken for other staff. Staff helped deliver savings £673m over target last year. Some of this money could have been used to fund the £55m it would cost the Scottish Government next year for NHS staff.

### KEY POINTS:

- The Scottish Budget is facing huge real terms reductions as a consequence of UK Government cuts.
- Pay is to be frozen for a further year with some limited underpinning for the low paid.
- The UK Government's pension contributions will be imposed on NHS Staff – but not those covered by the LGPS.
- NHS funding continues to receive some protection.
- Local government funding is cut in real terms.
- University funding increases but FE colleges face steep cuts.
- The Christie Commission reforms will be implemented .



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## Health

The Spending Review claims to protect the health budget in real terms and pass on the full Barnett consequential of spending in England. However, 'real terms' means a notional inflation rate not the real costs to the NHS. The NHS will also be expected to achieve the 3% 'efficiency' savings. Allocations to health boards include funding for transferred services and Access support so the actual impact will need to be studied closely at area board level. Capital allocations are being cut and provisions are being made for revenue to capital transfers. This could also have consequences for service delivery and jobs.

## Local Government

There will be no increase in revenue funding to local government, leaving councils to make further cuts to address inflation and demand pressures. The Council Tax freeze and small business bonus will continue to restrict the ability of councils to respond to local demands, costing services and jobs. Capital spending will be 'reprofiled' to take advantage of council's prudential borrowing powers. This may have revenue consequences. The housing budget is cut significantly again although councils are promised some capital allocations.

## Education

Universities will get a cash increase of £76m next year plus £59m over the following two years. This reverses last year's cut. They will also benefit from additional fee income from students from the rest of the UK. On the other hand FE Colleges take another big cut in funding. Skills Development Scotland takes another big cut in funding, increasing reliance on web based services at the expense of face to face support.

## Utilities

There is a big increase in the Energy budget to promote renewable energy projects. SEPA will suffer a further funding cut. The Government's contribution to Scottish Water is also cut recognising that this creates risks for the capital programme.

## Justice

Funding is continuing for police numbers even though many of these officers are substituting for police staffs. Long term funding is dependent on saving £130m with the centralised single police and fire services. The criminal justice social work budget for councils remains static. The prison service gets a one off boost next year. Very big savings are anticipated from cuts in the Criminal Injury Compensation Scheme.

## Public Service Reform

The Government has accepted the key themes of the Christie Commission's report. Their response is built on four pillars: prevention, integration, workforce development and improving performance. The Spending Review assumes that these reforms and others including the McClelland Review of IT will deliver significant savings.

## Conclusion

Due to UK Government cuts these spending plans will mean real terms cut for most services. However, the Scottish Government has made choices and some services will be cut greater than others

### Further info

#### Spending Review

<http://www.scotland.gov.uk/Resource/Doc/358356/0121130.pdf>

#### Pay Policy

<http://www.scotland.gov.uk/Publications/2011/09/21105455/0>

#### Renewing Scotland The Government's Programme

<http://www.scotland.gov.uk/Publications/2011/09/08102006/0>

#### Christie Commission response

<http://www.scotland.gov.uk/Publications/2011/09/21104740/0>

#### McClelland IT response

<http://www.scotland.gov.uk/Publications/2011/09/21103403/0>



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