

Scottish Draft Budget 2013-14

Introduction

The Scottish Government has published its draft budget for 2013-14. This has to be seen in the context of their three year spending plans set out last year (see Briefing 13) and the UK Government's public spending cuts.

The Scottish budget is facing an overall real terms cut between 2009-11 and 2016-17 of around 18%, or £5½ billion. We are less than half way through these cuts. In addition, the UK Office of Budget Responsibility reported in July that further cuts were likely because growth projections have not materialised and UK Government borrowing is also higher than projected. It is therefore likely that further UK cuts will be announced in the November statement by the UK Chancellor. The UK Government's strategy may not be working, but that doesn't mean they are likely to change course.

Capital spending is being cut more than revenue and the Scottish Government is proposing to alleviate this by switching £250m from revenue to capital next year. This is aimed at supporting the construction sector, but of course it will be a further cut in the resources available to run services. Payments to PPP contracts are due to top £1bn by 2013/14.

Pay Policy

The Scottish Government has also published its pay policy. For UNISON, this primarily covers members working in NDPBs. However, it is influential in other areas as budget allocations assume a similar approach. The key features of the 2013-14 policy are:

- a one per cent cap on the cost of the increase in basic pay for staff earning under £80,000
- maintaining a pay freeze (zero percent basic award) for staff earning £80,000 and above
- specific measures for supporting the lower paid. £250 for staff below £21,000 and the Scottish Living Wage
- suspension of non-consolidated performance related pay
- discretion for individual employers to reach their own decisions about pay progression.
- additional flexibilities in exchange for no compulsory redundancies

The headline pay elements of this policy are the same as the UK government with the addition of the Scottish Living Wage. It is a further cut in real wages with a consequential impact on the economy. The bulk of cuts so far have been funded by public service workers.

A detailed guide to the pay policy is available [on line](#).

KEY POINTS:

- Further real terms cuts in most departmental budgets.
- Small shift from revenue to capital spending.
- 1% pay cap with some support to low paid.
- Councils continue to take the brunt of cuts.
- Health inflation and demand pressures will still result in cuts despite limited budget protection
- Police staff cuts continue due to cosmetic police officer targets
- Some relief from previous cuts for colleges and housing.
- Scottish Water again proves benefit of public service with revenue contribution to budget



Contact UNISON's Bargaining & Campaigns team:

Dave Watson
d.watson@unison.co.uk

0141 342 2811
0845 355 0845

Local Government

As set out in last year's spending plans, local government takes the largest budget cut over the spending plan period. In addition the regressive Council Tax freeze and small business bonus will continue with no increase in the funding for this measure. Local government is also facing additional cost pressures due to greater demands in the recession and demographic change.

Health

Health has some protection from spending cuts as the budget is standstill in 'real terms'. However, this does not exempt NHS Scotland from cuts. 'Real terms' means the Treasury definition of inflation at 2.5%. Actual inflation is higher, and health inflation higher still. In addition, like local government, demographic pressures add further costs. They are also required to find so called efficiency savings of 3%.

Education

FE colleges get an additional £17m as a partial response to the impact previous excessive cuts are having on the sector. There is a small increase in funding for Skills Development Scotland, again putting back past cuts. £16.25 million has been added for a national employer recruitment initiative that aims to create 10,000 opportunities for SME to recruit young people; and the establishment of an Energy Skills Academy. There is £80m in the capital allocation for new schools.

Justice

This budget now includes the ring fenced cash for police officer numbers. This policy is likely to see the loss of 3000 police staff posts as any attempt at a balanced staffing structure is abandoned. There is additional capital to address concerns over the accommodation of female offenders in prisons.

Utilities

Far from being a burden on public finances, Scottish Water will be making a net contribution to next year's revenue budget. The benefits of a public water service are obvious to everyone other than the Tories and Liberal Democrats! Over £7m has been allocated to the Warm Homes Fund to help alleviate fuel poverty, although this is well short of what is required. Energy receives additional capital of £45 million in 2013-14 and £42 million in 2014-15 for renewables projects through drawdown of the Fossil Fuel Levy surplus.

Housing

There is nearly £40m additional spending on housing including 4000 social homes and energy efficiency measures. This addresses urgent housing need and helps the economy, although again only reverses past cuts.

Next Steps

Parliamentary committees will take evidence on the budget over the next two months and the Budget Bill will be published in January. Individual health board allocations are set out in the budget (p31) and council funding allocations will be announced next month.

All public service organisations will now be working out their budgets for next year and branches should be engaged in that process. Remember that government budget allocations are only part of the picture. Most organisations have some other revenue streams, but also unavoidable commitments. Cuts Impact Assessments should be updated and forwarded to the Bargaining and Campaigns Team.

Further info

Draft Budget

<http://www.scotland.gov.uk/Publications/2012/09/7829/0>

Pay policy

<http://www.scotland.gov.uk/Publications/2012/09/7426/2>

Initial UNISON reaction

<http://www.unison-scotland.org.uk/news/2012/septoct/2009.htm>



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