UNISON Scotland

Scottish Government Budget and Spending Review

The UNISON Scotland Submission to the Economy Energy and Tourism Committee

October 2011

Introduction

UNISON is Scotland's largest public sector trade union representing over 165,000 members delivering services across Scotland. UNISON members deliver a wide range of services in the public, community and private sector. UNISON Scotland is the largest union in the energy industry in Scotland. We are able to collate and analyse member's experience to provide evidence to inform the policy process. We therefore welcome the opportunity to submit evidence to the Economy Energy and Tourism Committee to support its scrutiny of the budget.

Response

The world economy is in crisis. The outlook for the Scottish economy gives little cause for optimism. The Scottish economy grew by just 0.1% over Q2 2011, the last quarter under report. Cumulative Scottish GDP growth over the last 4 quarters (0.5%, -0.6%, 0.2% & 0.1%) has been just 0.2%; far below the level necessary to keep employment steady let alone eat into the growing numbers of long-term unemployed in Scotland. Current research suggests that it will be 2015 before GDP returns to its pre-crisis level. The private sector is not creating jobs to replace those cut from public services. There is no doubt that the cuts to public spending by the UK government mean real cuts in the money available to the Scottish Government and has therefore limited their choices. However the Scottish Government still has scope to both protect public services and support the Scottish economy.

Cutting public sector jobs puts economic recovery at risk. Not only does it directly increase the costs of benefits and reduce tax income for the government it reduces the money people have to spend in the private sector. APSE have done research into the economic footprint of local government and how its boosts the local economy[1]. Using Swindon as an example they key findings are:

- For every pound invested in the Street Screen services area in Swindon
- 64p is reinvested in the local economy. Employees who live in the area re-spend 52.5p in every pound in the local economy.32.4% of the Street Scene services area's expenditure upon suppliers goes to local companies and organisations. When national organisations within a local branch are factored in this figure rises to 51.3p
- Local suppliers re-spend 30.8p in every pound in the local economy.

The wage freeze for public sector workers also means that those who remain in work have less to spend which is again impacting growth in the private sector. The committee needs to get beyond the rhetoric of blaming Westminster and hold the Government to account for their spending choices. As the CPPR state "The evidence for a Plan MacB enhancing growth is scant."[2] Scotland needs an effective strategy to deal with this crisis.

Taxation

At a time when there are cuts in essential services we believe that taxation rather than increased charges is a fairer way to fund services. Raising enough money is essential and the wealthy need to pay their fair share. Taxing the super rich makes society fairer by both providing resources to pay for services and by reducing the wealth inequalities that cause so much harm. While many of the tax

[1] Creating resilient economies: exploring the economic footprint of public services is available from APSE.

[2] CPPR Scottish Government's draft budget 2012-12 Briefing 1 2011

levers remain outwith the Scottish Government's control they still have the power to act.
We welcome the government's plan to increase business rates. Businesses in Scotland rely on the public sector to provide and educated workforce and to provide the transport, legal and logistical infrastructure required to run their businesses. They should therefore contribute financially. We see nothing wrong in principle with raising extra funds from those who profit from the sale of alcohol and to tobacco. We are concerned though that raising the sums suggested rely on economic growth and are not optimistic about that growth being achieved

While welcome the increased business rates the Government needs to bring forward plans for a fairer tax for local government. The current council tax freeze limits the power of local government to act. It disproportionally benefits the wealthy and has led to increased charges for a range of services which hit those on lower incomes hardest. Public service workers have had their wages frozen and face increased pensions contributions. The council tax freeze does not offset these wage cuts. UNISON believes a property-based tax is the best way to fund local services – it is a reasonable indicator of wealth, simple to collect and hard to avoid. The wealthiest people tend not to be found living in small high rise flats in poor areas to avoid property tax. The delay in resolving this issue leaves local government with little control over its finances in a time when budgets are under severe pressure. We cannot wait five more years for change.

Public Private Partnerships

The drive to rebuild Scotland's aging infrastructure has involved the extensive use of Public Private Partnerships and the Private Finance Initiative (PPP/PFI). Billions of pounds of public money have been wasted and much more needs to be done on the alternatives to PPP in Scotland. Some of the alternatives require amendments to Treasury rules including new definitions of public expenditure in line with European models. Off balance sheet incentives inherent in the current block grant system and Departmental Expenditure Limits (DEL) also need reform. Enron economics is no way to finance our public services. Other claimed alternatives to PPP, such as "not for profit" Trusts are still PPP schemes just with a different form of company structure. Despite the government's claims PPP has never really gone away, for example the Hub Initiative in health and in schools. However, it is now proposed to use revenue finance to deliver infrastructure investment totalling £2.5bn over the next four years, through PPP administered by the Scottish Futures Trust. It will primarily use the Government's favoured PPP model, the misnamed Non-Profit Distributing Model. Sadly this is anything but non-profit making and will cost the taxpayer £Millions more than conventional finance. The new plan is to hypothecate around £250m of revenue to finance £2.5bn (capital value) of PPP schemes in transport, schools, colleges and the NHS. It remains to be seen if public bodies are given a real choice of funding, but it looks likely that we are to return to the only game in town position the last administration created.
Conventional borrowing remains the most cost effective and flexible method of financing public services. It retains accountability and enables public authorities to engage in genuine consultation with service users

Employment
The Government's programme should also be judged on its ability to create jobs and to ensure that people have the skills to take those jobs. While the Scottish Government has reversed cuts to higher education funding this has been at the

expense of further education (a cut of 18.5% in cash terms) and Skills Development Scotland. At a time of high unemployment particularly youth unemployment there should be increased spending in these areas. Many disadvantaged people, particularly the young, need a great deal of support to get and keep work. Older people need to be able to continue to develop skills for a changing economy. While websites have many uses the careers service is about more than that. Less focus on expensive IT and more on programmes like Advantage where advisers work intensely with young people in schools to ensure they are ready and able to find and keep work and training will save a great deal of money on both benefits and the justice system if these young people can be kept on track. We would also like to see more support for programmes like Union Learning which have been very successful in boosting basic skills in the workplace.

Energy

As the largest energy union UNISON Scotland has consistently argued the need for a balanced energy policy in Scotland, including a range of sources. The absence of such a policy, and the pursuit of a competitive market at all costs have led us to a position where we now face an imminent energy gap with no plan to replace current power generating capacity and insufficient renewable sources as viable alternatives. In the present energy crisis we also face rising fuel costs and increasing fuel poverty. The energy market is the problem not the cost of renewable. The high levels of fuel poverty in Scotland are unacceptable and require action as part of a Scottish energy strategy. The problem is compounded by the regressive nature of the competitive domestic energy market. The poorest customers are forced into more expensive prepayment arrangements, while richer customers paying by direct debits are rewarded with discounts on their energy costs.
The main factors in fuel poverty are poverty itself which is due to low incomes, and the rising cost of fuel. Short of abolishing poverty, which in itself would be desirable, it is clear that action is required on fuel pricing. Energy companies' profit margins are rising. According to **Ofgem** they now make £125 per customer per year. All that the Government is offering is increased competition. This has clearly failed. We believe that UK Government should abandon its mantra of competition and review the **Ofgem** terms of reference to enable direct intervention on fuel pricing and establish incentives to encourage good practice by suppliers. The Scottish Government also has responsibilities in this field, they promised to end fuel poverty by 2016 and they should properly fund programmes to achieve this.

Network access charges discriminate against Scottish generators who have to pay more to get power to the main users in the large English conurbations. As renewable forms of generation like wind and wave power are in fact located outwith urban areas, the network access charges and proposed transmission loss charges clearly run counter to the aim of increasing renewables. We support the idea of a "postage stamp" principle for network access and hope that this will be the outcome of the Project Transmit consultation being undertaken by **Ofgem.** UNISON Scotland believes that the current regulatory regime with its primary emphasis on competition is damaging to the possibility of a balanced energy policy for Scotland and the UK, and should be reviewed.

We believe that only a planned, balanced energy policy can provide security of supply and meet our targets for addressing climate change. With concerted action in this direction from both Scottish and UK Governments, we can deliver the future we want in Scotland in terms of the production, distribution and more efficient use of energy; meet objectives of increasing renewable energy generation and reducing emissions; secure energy supplies at an affordable price; and maximise economic benefits from the energy industries. We condemn the UK Coalition Government's appalling failure to back the planned Carbon Capture and Storage (CCS) project at Longannet – a decision that is disastrous for Scottish energy strategy.

In order to ensure that ordinary workers do not pay the price of shifting to a low carbon economy we must invest in the creation of green energy jobs in manufacturing, engineering and construction. This should be accompanied by relevant training and reskilling programmes.

Conclusion
While the UK Government spending cuts have limited the choices of the Scottish Government they still have the opportunity to make a real difference to the Scottish economy and to protect people from the worst of these cuts. UNISON Scotland therefore welcomes the opportunity to submit evidence to the Economy Energy and Tourism Committee's review of the Scottish Governments Budget.

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