

Scottish Budget 2016-17

December 2015

The Scottish Government has [published](#) its draft budget for 2016-17. This is somewhat later than usual, as they reasonably awaited the outcome of the UK Chancellor's Autumn Statement.

That Autumn Statement confirmed that that public expenditure in Scotland faces year-on-year real term reductions. By 2020 it will be 12.5% lower in real terms than when the Conservatives came to power in 2010. This is the equivalent of one pound in every eight being cut by 2020. There are also further commitments on Scotland's public services including around £250m in payroll costs due to the UK government increase in National Insurance contributions. A windfall George Osborne is pocketing.

This leaves some difficult choices on tax and spending. There is little in the budget that grows the spending envelope by increasing tax revenues. This is the first year of the Calman powers over 10p of income tax. Unsurprisingly, this power will remain unused, as there will be no power to introduce variable rates until the new Scotland Act powers are implemented in 2017. There is a new 3% LBTT supplement on second homes, although less clear why properties below £40,000 are exempt. Other Scottish taxes increase with inflation.

The big gainer in the budget is health spending. 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'. As Audit Scotland highlighted, these budgets have not all been finalised and it remains to be seen how much will actually reach desperately underfunded social care services. Funds will also be used to improve primary and community care as well as six diagnostic and treatment centres on the Golden Jubilee model.

The big loser is local government. The budget is cut by 3.5% or £500m (£750m in real terms). On top of that there are additional commitments like the NI increases that could double that cut. CoSLA calculates this will cost 15,000 jobs or 'the equivalent of 50 Tata Steelworks' – but don't expect a taskforce! A real opportunity to increase the spending envelope is lost with the Council Tax freeze continuing for a ninth year. Even Osborne recognised the pressures on social care by promoting an increase in the Council Tax in England.

A related [announcement](#) in England worth watching is a plan to devolve Attendance Allowance (AA) to English councils. When free care for the elderly was introduced in Scotland the Scottish Government argued that they should get the savings on AA. The Barnett consequential of this could be £500m.

There is little good news for NDPBs in the budget. Food Standards Scotland faces a significant cut, as does Skills Development Scotland. The whole Fair work, skills and training budget is cut by £13m in real terms. Scottish Water will make net contribution to the budget of nearly £100m.

Education and police budgets largely flatline. For education, the Scottish Funding Council budget faces a small real terms funding cut of £23m. The Scottish Police Authority budget is also cut by £12m in real terms although mostly on capital spending. There is a welcome £4m uplift for community justice services. Fire and Rescue has a somewhat larger cut of nearly £20m in real terms.

Remember, most of the budget tables are cash and don't include inflation. Plus, every public body will have to cut more than the budget allocation to meet the cost of unavoidable commitments. So its even worse!

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