

# Draft Scottish Budget 2014-15



## POLICY BRIEFING

### Introduction

The Scottish Government has published its draft budget for 2014-15 with an indicative budget for the following year as well.

The Scottish Government's budget is being cut by close to 11 per cent in real terms between 2010-11 and 2015-16, despite the crucial role that public spending and public services play in supporting the economy. Based on the projections set out in this year's UK Spending Round, it is likely that further budget reductions will be imposed on Scotland until at least 2017-18, with heavier cuts in later years.

Within that difficult budget constraint they have attempted to spread resources thinly, partly to cover past cuts such as housing and colleges. The big loser yet again is local government. There will be a shift from capital to revenue cuts with capital increases largely funded by borrowing and PPP schemes.

Much of the political debate has been on measures to mitigate the impact of UK government welfare cuts (including the bedroom tax) that will take £4.5bn out of the Scottish economy. It is also a budget that is clearly focused on next year's referendum.

### Pay Policy

The Scottish Government has also published a two year 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 policy are:

- A 1% cap increase in basic pay for staff above £21,000.
- Those earning less than £21,000 per annum should receive a minimum pay uplift of £300 (pro-rata) in each year,
- The Scottish Living Wage will continue to be applied.
- No interference with pay progression arrangements and the cost of these is outwith the 1% cap.
- No Compulsory Redundancy agreements remain for the duration of their pay settlement in return for continued and, where appropriate, additional workforce flexibilities or efficiencies.

The headline pay elements of this policy are the same as the UK government with the addition of the Scottish Living Wage and some improved underpinning. They have also helpfully not followed the Chancellor on pay progression.

However, it is a further 2% cut in real wages for most staff with the consequential impact on the economy. The bulk of cuts so far have been funded by public service workers and the Scottish Government managed to find other cash for pet projects such as the small business bonus and the regressive Council Tax freeze.

### KEY POINTS:

- The draft budget sets out the Scottish Government's spending plans for the next financial year.
- The budget has to cope with an 11% real terms cut by the UK govt over 5 years.
- There is limited movement in the main budget headings.
- Local government is yet again the big loser.
- Pay policy caps increases at 1% with some underpinning for low paid.

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## Local Government

Local government yet again takes the largest budget cut. It is the only major budget heading that shows cash cut since 2008/9 to the tune of £637m. 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 real cost pressures due to greater economic demands 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. Actual inflation is higher, and health inflation higher still. In addition, like local government, demographic pressures add further costs.

## Education

FE colleges get an additional £4m as a partial response to the continuing debate over cuts to the sector. There is £19m extra for universities. There is a small increase of £4m in funding for the Early Years Collaborative.

## Justice

The funding for Police Scotland is now within this budget following the centralisation of policing. The police budget is reducing as planned and the burden of these cuts are falling on Police Staff as police officers substitute for them at greater cost. Legal Aid and criminal injury compensation budgets are also cut. The small increase in the Fire budget is an accountancy change to cover depreciation of assets.

## Utilities

Scottish Water continues to demonstrate the value of a public service that is funded from charges and borrowing for the huge investment programme. There is an extra £31m for the Warm Homes Fund.

## Housing

There is significant additional borrowing to fund housing programmes including 6000 new homes of which 4000 will be social housing. There will be a Scottish version of the new UK Help to Buy shared equity scheme that many believe is a poor use of resources.

## Misc.

The independence referendum will cost £13.7m to administer. PPP payments rise to £1047m and that doesn't include the Scottish Government's own PPP schemes.

## 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 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/Resource/0043/00433802.pdf>

Public Works Blog on pay policy and further analysis

<http://publicworksscotland.blogspot.co.uk/>

Pay Policy

<http://www.scotland.gov.uk/Publications/2013/09/6771>

CPPR on UK spending review and Scotland

[http://www.gla.ac.uk/media/media\\_286106\\_en.pdf](http://www.gla.ac.uk/media/media_286106_en.pdf)



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