



# **Independent Budget Review**

**The UNISON Scotland response to the initial call for  
contributions from the Independent Budget Review**

**April 2010**

## **Introduction**

UNISON Scotland welcomes the opportunity to respond to the initial call for contributions to the Independent Budget Review.

UNISON Scotland has over 160,000 members, the vast majority of whom work in the public and voluntary sector. UNISON members pay taxes as well as delivering and using public services and are therefore in a unique position to comment on the best way to improve public services in Scotland.

## **Introduction**

UNISON is concerned that there seems to be little understanding of the current deficit leading many to believe that cuts in public spending are both essential and inevitable. The costs of the bank bailout were higher in the UK than any other G21 nation. It is therefore no surprise that the deficit is projected to be the largest of any G21 nation. This public debt is really private debt and is the cost of the massive bail out Britain's banks not excessive public spending. The financial crisis has also increased unemployment which raises the demand on social spending and reduces tax revenues adding to the pressures on public spending. The rising deficit is a response to the crisis, it is not in itself a crisis.

Investors continue to fund UK debt. Recent gilt auctions have been oversubscribed and the cost of servicing the debt is currently very low. Cutting public spending now will prolong and deepen the recession. It is purely an ideological not economic response to call for cuts in public spending. It is sound economics for the public sector to spend when the private sector isn't. The economy is already on the road to recovery and savage cuts in public spending will only lead to a return to recession. It is also important to state that when it is appropriate to start reducing the deficit, spending cuts will not be the only ways to cut debt: raising taxes for those who can afford to pay more and clamping down on tax avoidance will also reduce the deficit. As will cutting out wasteful spending including PPP schemes, consultants and Trident

As things stand now we have the confusing statements of the Scottish Government saying that their budget has been cut by Westminster while simultaneously claiming that public services in Scotland have had more money than ever. There is also a great deal of uncertainty about the future UK total budgets and the Barnett consequential and there will continue to be so until after the UK general election. Even then UK budget priorities could give positive Barnett consequential.

The IFS estimate 3.2% p.a 'real' fall in UK budget to 2013/14. This could mean a cut in real terms of £3.35bn (11%). Other estimates range between 7% and 13% and 20-40 thousand job losses.

What is clear from the information that UNISON has from our branches is that there are already severe cuts in public services. So far we have identified are cuts of £553m and job losses of 6464 planned for financial year 2010/11.

- **LOCAL GOVERNMENT:** budgets are well developed even if individual service consequences are not. There are aggregate cuts of at least £306m. Job cuts of 5,224 to 5,464

- **HEALTH:** health board budgets are less well developed at this time in the budget cycle. However, we have already identified cuts of £168-£173m. The job consequences are not clear but they will be significant.
- **POLICE:** £25m at Strathclyde police. Other forces appear to have less problems or are awaiting local authority budgets to be finalised
- **HOUSING/VOLUNTARY SECTOR:** 200 jobs at GHA, Quarriers making £1m cuts over 18 months and this is reflected across the voluntary sector. The care sector is particularly badly hit with a race to the bottom in terms of pay and conditions, terms and conditions, staff turnover and consequential impact on service quality.
- **UNIVERSITIES:** The budget position is not finalised but we have identified some 150 job cuts so far.

We are particularly concerned that few public service organisations are taking their statutory equality duties into account when making decisions over cuts. Equality impact assessments, where they have been undertaken, are often totally inadequate and therefore cuts are likely to disproportionately impact on those groups.

The cuts picture is still limited as not all decisions have been made nor clear information provided to staff. There is though a significant disconnect between national allocations from the Scottish government and local budgets. We believe the reasons for this include:

- Real inflation exceeds GDP inflator (particularly energy costs)
- Increased demand on services during recession
- Concordat and other service growth (e.g. class sizes)
- Organisations are strengthening their balances
- Part year impact of cuts
- Assuming cuts over next 3-5 years

There are already huge pressures on public spending in Scotland. Public services need to respond to these challenges even if future budget cuts are not as severe as feared. Public services in Scotland have already made significant efficiency savings of £534m (3.1% against a target of 2%). This though will not be enough to deal with predicted spending cuts and many of these savings are not recurring. Privatisation, shared services and improved procurement will be promoted by many in evidence to this independent budget review as a panacea to the public sector's woes. These are not the answer.

**Privatisation:** Privatisation had already led to millions pounds that could have been spent in the public sector being wasted. Increasingly across the UK public services are being brought back in house. APSE has recently published a guide to bringing services back in house. There is clear evidence that privatisation costs, not saves, money. The APSE report indicates that the benefits of bringing services in house include:

- Improved performance and governance
- Cost efficiency
- Community wellbeing and satisfaction
- Local economy
- Flexibility and added value
- Service integration
- Employment considerations

- Quality of services.
- Sustainability.

(See Insourcing: A guide to bringing local authority services back in-house <http://www.apse.org.uk/publications/order-form/iinsourcing.pdf>)

The review will no doubt be asked to consider the privatisation of Scottish Water as part of the solution. This has been a long standing target for the privatisation lobby and they are using the current financial crisis as a new reason to promote their failed dogma. The real value of Scottish Water's assets is being devalued to prepare it for privatisation. But even this reduced value would go to the Treasury whilst the water charge payer would be faced with financing the purchase on top of dividends, profits and all the costs of privatisation. The modest borrowing line could be provided through a similar prudential borrowing regime as has been given to councils. Providing clean water and disposing of sewage is a much a front line service as any other,

For further details on our position on this issue <http://www.unison-scotland.org.uk/water/index.html>

**Shared services** are frequently pushed by private consultants as a way to improve services and save money. They are in fact extremely costly and have high upfront costs. The previous Executive's original report into shared services showed an investment ratio of 2:1 — an initial investment of £60m is needed to save £30m. The UK National Audit Office report indicates that so far projects have taken five years to break even. Despite the hype shared services are not providing the answer to modernising public services. Even on the rare occasions where they have been successful the time scale required to rake back the up front costs mean they could provide no quick fix to the current crisis. UNISON believes that improved cooperation between public service is essential, but this does not require setting up vast call centres or bringing in the private sector.

#### **How to improve services and save money**

UNISON believes in the following five principles for public services: Democracy, investment, fairness excellence and partnership. UNISON believes that the best way to improve public services is to involve both users and staff in defining both the problem and the solution. This means listening to services users about what they want and empowering staff to respond. There is a growing body of evidence that shows how real improvements can be made through this type of process.

Glasgow Housing Association has used "Systems Thinking" to achieve improvements such as reducing rent arrears. This involves allowing the staff who deliver services to take the lead in designing them. The focus moves from targets and management led initiatives to looking at what the public really want from the service. In Edinburgh roads department the focus moved from getting a response to a query done before a target date to actually fixing the problem that a person had reported. Newcastle council, by working in partnership with UNISON and users to introduce new technology, has improved delivery and made savings of £28million. The story of how the council developed a strategy based on a public benefit model rather than private profit is outlined in "*Public services reform but not as we know it*" by Hilary Wainwright

Research by ORC International has also found that there is a clear link between employee engagement and customer satisfaction in local government. The report:

*Linking Employee and Customer data- a new way forward for local government?*  
found that there are clear links particularly when employees feel they are

- Treated with fairness
- Aware of organisations' long term goals
- Proud to be working for the organisation
- Clear about what's expected of them in their job
- Clear that the organisation is committed to customer care

### **Waste**

UNISON believes that the use of private sector consultant is the real waste of tax payers' money. Over £42million has been spent on consultants in the last year by Scottish Local Authorities, Edinburgh alone has spent £6.4million. Edinburgh is now looking at a number of initiatives to outsource a range of public services based on misleading information on privatisation initiatives elsewhere in the UK. The money would have been better spent on delivery.

Scottish PFI/PPP contracts could be costing around £2.1 billion more than conventional funding. That is nearly 10% of the total cost of all Scottish PFI/PPP contracts. It is also close to the entire estimated £2.4 billion cost of 'rent' payments for the use of hospitals and other facilities in all the Scottish NHS PFI/PPP projects. The new Scottish Futures Trust is merely PFI lite and will do nothing to stop this waste. We believe a new approach should include:

- Review existing contracts and no new PPP contracts.
- Offer Scottish Government grants for all new capital projects on a level playing field basis irrespective of the proposed method of procurement.
- Give Health Boards prudential borrowing powers and treat capital in a similar way to local authorities.
- Exclude staff from transfer and impose a strengthened PPP Staffing Protocol across the public sector.

A new capital procurement regime should be established now that enables most public bodies to develop essential infrastructure without the expense of PPP.

For more details: <http://www.unison-scotland.org.uk/comms/pfi.html>

### **Increasing income**

It is also possible to avoid cuts by raising income. UNISON believes that it is desirable to introduce a more progressive tax system and take strong measures to stop tax avoidance. The PCS, who represent those working in HMRC, estimate that £130billion goes uncollected evaded or avoided every year. £4.7bn could be raised every year by introducing a 50% tax rate on incomes over £100,000. While this is clearly not within the remit of the Scottish Parliament, the government does have power to vary the basic rate of tax and to allow councils to raise the council tax without losing their current subsidy.

Using the tax system is far fairer than increasing charges for public services in the way that is currently happening. Increasing charges hurts those on low incomes while the Council Tax freeze benefits the wealthy disproportionately. Band H households are saving on average **£441** per year while those in the cheapest homes (Band A) are saving only **£147 a year**.

Campaigners in West Dunbartonshire have highlighted the following costs.

- New £48 charge for gardening for elderly residents
- New £15 charge for domestic uplift
- New service charge of £1 per meal to housebound and elderly residents: a meal a day. **£260 per person a year**
- New charge of £2.50 per trip for pensioners and adults with learning difficulties using day care facilities. **£650 for a person going days a week.**
- New service charge £20 per week (**£1040 per year**) for Housing Support Service clients

The value of your home is a reasonable proxy for your wealth unlike your need for help with gardening. The debate about the future of public services needs to face up to the fact that good services cost money. We need to be mature about how we raise that money in terms of both fair taxation and a fair charging regime that reflects local priorities.

### **Conclusion**

UNISON welcomes the opportunity to respond to this call for contributions. We believe that Scotland can continue to afford to provide excellent services delivered in the public sector.

The current financial crisis is being used by those whose Neo-Liberal market ideology got us into this financial crisis, to reshape public services on the basis of their failed ideology. Cutting public services is not the only ways to cut debt: raising taxes for those who can afford to pay more and clamping down on tax avoidance will also reduce the deficit. As will cutting out wasteful spending including PPP schemes and private consultants.

### **Matt Smith, Scottish Secretary**

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