



# Scottish Government's Draft Budget 2013/14

To: All Chief Executives, Main Contacts and APSE Contacts in Scotland

For information only to England, Northern Ireland and Wales

## Key Issues

- The Scottish Government have produced their draft budget for 2013/2014
- The draft budget for 2013/2014 will see a reduction in local government expenditure of 4.3% via the departmental expenditure limit (DEL)
- The draft budget makes provision for a further Council Tax freeze in 2013/2014.

## 1. Context

- 1.1 The Scottish Government presented details of the proposed budget for 2013/14 to the Scottish Parliament on 19 September 2012 the total budget for the Scotland Government to deploy is £28.4 billion. The budget for 2013/14 has been prepared against an 11% decrease in resources from the UK government to the devolved government in Holyrood for the period 2010/11 and 2014/15. In addition, the draft budget for 2013/2014 further confirms capital spending will be reduced by 33% over the planning period. Looking forward it is envisaged that future budgets will be even more challenging owing to the significant international/national economic challenges. The draft budget for 2013/2014 contains public sector policy modifications that were previously announced by the Scottish Government, in financial terms these will become clearer as more analysis of the budget is conducted and concluded.
- 1.2 The Scottish Government maintain that it is determined through its budget deliberations to address the impact of the current global downturn on the economy. The focus of the budget therefore is to stimulate economic recovery and growth in Scotland as far as practically possible. A priority in this regard is further investment in construction, skills and the green economy with planned investment of £180million.

In addition, a further £80million will be invested into schools to further aid the modernisation of local authority schools.

## **2.0 Core Public Policies**

2.1 Through the draft budget for 2013/14 to Scottish Government have confirmed their desire to:

- Protect the NHS budget
- Maintain the 1000 extra police officers
- Work to uphold the Council Tax freeze
- No tuition fees for students entering higher education
- Maintain teacher numbers in line with pupil numbers
- Offer free prescriptions
- Support concessionary transport
- Ensure a living wage for workers covered by Scottish Government pay policy

## **3.0 Specific Proposals/Developments**

### **3.1 Supporting and reforming public services**

The draft budget develops the Scottish Governments thinking on public service reform. In particular, the budget signals a further shift towards preventative interventions with regard to outcome delivery. The role of Single Outcome Agreements (SOAs) is reinforced, in terms of SOAs increasingly needing to address and progress long term prevention in a given area. See previous APSE Briefing on Review of Community Planning and SOAs.

An emphasis will be placed on preventative spending in relation to providing public services. This being supported by:

- Investing in activities which will reduce future demand on public services and improve outcomes
- Evidencing success in reducing future need and improving outcomes.
- Controlling costs and releasing savings
- Integrating local services
- Improving local performance

### **3.2 Supporting people into employment**

The draft budget confirms the Scottish government's commitment to take direct action to support employment and ensure that people who are out of work have access to the right to training, skills and educational opportunities. This will be delivered through a range of programmes including "Opportunities for All" which aims to give 16-19 year olds a work, education or training experience.

### **3.3 Transition to a low carbon economy**

The budget reaffirms the importance of the need to move towards a low carbon economy in terms of promoting environmental and sustainability measures. Reference is made to the potential employment opportunities within this sector.

### **3.4 Infrastructure Development and Place**

Reference is made to a range of measures including the regeneration strategy which will be supported by a £24million People and Communities Fund and a Capital Investment Fund worth £150million over the next three years. In addition, a

commitment is given to affordable homes which will be supported by further investment.

### 3.5 **Welfare Reform**

The Scottish Government will provide £23million of funding next year to mitigate the shortfall in funds from the United Kingdom government with regard to welfare reform.

### 3.6 **Environment**

A Green investment package of £30million over 3 years to fund a programme of efficiency measures that will tackle fuel poverty and contribute to meeting climate change targets was announced. £2.5million will be made available in 2013/14 to invest in new hybrid buses.

### 3.7 **Public Sector Pay**

Through the draft budget support is given for a 1% pay increase for public sector employees directly employed by the Scottish Government, this includes Civil Servants and some NHS employees, it does not include local government employees. This ends the current pay freeze that has existed in the public sector. Local government employees are subject to a separate negotiating exercise.

### 3.8 **Local Government Budget 2013/14**

The bottom line figure for the total local authority budget has changed since the publication of the budget for 2012/13. This is attributable to the transfer of resources from the local government sector to the new police and fire organisations.

In 2013/14, the total funding package available to local authorities will be £9.9billion with funding being £9.7billion in real terms.

The distribution of the block grant to local government will be discussed with COSLA later on this year. A recent produced by Scottish Parliaments SPICE Units suggests local government expenditure will fall by 4.3% in real terms in 2013/14.

### 3.9 **Capital Investment**

A £380million package of investments was announced in February 2012 over the period to 2014/15 focusing on transport, housing, health and maintenance projects. A further sum of £80million will be available for the Schools for the Future programme. An additional £40million will be deployed to fund affordable homes, however a greater amount has been taken in recent budget rounds.

### 4.0 **APSE Comment and Conclusion**

4.1 The Scottish Government's draft budget for 2013/14 takes place almost exactly half way through the overall period of retrenchment as per the United Kingdoms deficit reduction plan. It is estimated that during the period 2009/10 to 2016/17 some £5.5billion will have been removed from the Scottish block grant, this equates to 18% of the overall total in real terms. During the period 2010/11 – 2014/15 an 11% reduction will be encountered. Currently 75% of planned capital expenditure has been removed, however some 66% of revenue expenditure reductions are still planned which will leave the public sector in Scotland with a series of significant outstanding challenges.

4.2 Scottish Government(s) have developed a range of policies which aim to create a fairer and more equal society; the local government sector has had a key role to play in this

regard. Maintaining commitments such as free prescriptions, concessionary travel, no tuition fees for education and free personal care for the elderly are sound social policies. However, such policies are becoming increasingly difficult to sustain given the prevailing economic pressures. Such policies come with a price and a cost which is rising and this is placing disproportionate pressures on other parts of the public sector particularly local government to reduce expenditure. This point was made in the Beveridge review, which was commissioned by Scottish Government in 2010. These commitments are also impacting on the Governments ability to deliver other outcomes and supporting programmes given the fixed nature of the Scottish budget. In many ways the local government sector is subsidising current policy commitments and other sectors by taking a disproportionate reduction in both its revenue and capital resource budgets.

- 4.3 The Scottish Governments efforts to pursue policies to promote economic growth are laudable in the current climate. Growth is an economic necessity in order to move away from the current double dip recession the country is experiencing. Efforts by the Government to progress “shovel ready” projects to improve Scotland’s infrastructure is encouraging particular the £180million for skills, construction and the green economy. In addition, the £40million for affordable housing is a welcome boost for the construction sector (despite previous reductions) as will be the decision to advance a further £80million to accelerate the school building programme. A further 12 schools will be constructed or modernised. However, budget reductions have already caused severe job losses in the Scottish public sector, with an estimated 38,000 jobs or 7.2% of public sector jobs being lost to date. In local government alone some 31,700 jobs have been lost or 10% of the workforce since 2008.
- 4.4 The draft budget for 2013/14 poses a number of challenges for the local government sector. Previous local government settlements have been “tight” and there is no reprieve in the draft budget for 2013/14. Funding for local government is being reduced in real terms and this clearly impacts on its purchasing power. This is largely down to the creation of the new national police and fire services which will see resources transferred from the local government block grant to justice. However excluding these developments there will be a real reduction of 4.3% in the local government departmental expenditure limit. The local government settlement allows for the continued Council Tax freeze, however there is no uplift or movement in the £70million subsidy. The current agreement between the Scottish Government and local councils to freeze Council Tax beyond 2014 in return for reduced budget reductions looks increasingly fragile. Local Councils are developing both challenging and radical savings programmes to accommodate the severe constraints on their budgets. This is being compounded as much of the “low hanging fruit” or “easy savings” have been taken in previous budget rounds.
- 4.5 To deliver the required budget reductions Councils are now having to identify and implement even more complex change/savings programmes which address some of the following:
- Service re-design
  - Service re-engineering particular business processes
  - Restructuring the workforce
  - Reconfiguring services and removing overheads in the form of managerial costs
  - Re-tendering supply contracts
  - Rethinking approaches to procurement and contract management
  - Investing in ICT

For its part APSE has produced a range of material designed to help Councils with managing with less resource. Examples include the “Ensuring Council” (2012), and “Municipal Entrepreneurship” (2012)

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