

Draft Scottish Budget 2017/18



Introduction

The Scottish Government has published its draft budget for the next financial year. This is the first year of the new fiscal powers devolved to Scotland, so it includes not just spending plans, but how it intends to raise revenue as well.

Context

The UK Government's austerity spending plans means that the Scottish Government's budget allocation is being cut by over 9% (£2.8bn between 2010-11 and 2019-20). That is likely to get worse when unallocated cuts are finalised. However, in the coming year (2017-18) the Scottish Government has a little wriggle room because there is a small real terms increase in funding of £188m.

Generally in this context, if the Scottish Government wants to protect some budgets from austerity, it either has to grow its overall budget using devolved tax powers, or cut other budgets disproportionately. In recent years local government has been the loser in this equation.

Fiscal Action

The draft budget confirms that the Scottish Government will not use the devolved tax powers to increase income tax. However, they will not cut tax for higher rate (40p) taxpayers through above-inflation increases in the higher rate threshold. That should generate an additional £79m in 2017-18. Other devolved taxes on land transactions, landfill and aggregates, generate small additional revenues.

The budget confirms that the government remains committed to a 50% cut in Air Passenger Duty, by the end of this parliament. In our [view](#) that is an unaffordable, environmentally damaging tax cut for the better off. At today's prices it would cost a massive £171m to implement.

Health

Health boards get a cash increase of £321m, but that falls to £170m in real terms. The assumption is that inflation will be 1.5%, but health inflation is usually significantly higher. £107m will be directed to integration authorities to pay for the increase in the living wage from 1 May 2017 at the latest. This is very welcome, but it's not NHS spending.

The priorities for extra health spending are improvements in primary care and GP services as well as a longer-term commitment to mental health services. The first 200 new community paramedics will be recruited this year as well as 40 community link workers. There is a commitment to train an additional 1000 nurses and midwives in this parliament and 500 advanced nurse practitioners.

Branches can view their health board allocations on p32 of the budget.

KEY POINTS:

- **Limited additional revenues are being raised from devolved taxes.**
- **Health gets the largest increase, but a third of this goes to social care.**
- **Councils get the biggest cut, mitigated by council tax banding revenues.**
- **Another year of pay restraint with a 1% increase for most staff.**



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Education

The Attainment Scotland Fund will increase from £100m to £120m, a centrally controlled budget that is paid as a ring-fenced grant to councils. However, this will not now be taken from the council tax as planned.

It appears that the Scottish Government will retain the revenue from the new UK Apprenticeship Levy. This will be a big additional cost on all public bodies, particularly local government, who will be paying into the levy, but getting nothing back.

The Scottish Funding Council budget is cut by £32m in real terms mostly at the expense of higher education. Colleges get an additional £15m in cash. The SDS budget is cut by almost £7m. There is £60m to start building capacity to increase early years provision to 1140 hours by 2020.

Justice

There are small real terms increases in fire (£17.5m) and community justice (£6.5m) budgets, although grants to councils for criminal justice social work is cut by £1.5m. The police budget increases by £7m in real terms or £22.6m in cash.

Local Government

There is a real terms cut in the local government (including grants) budget allocation of £327m. The Scottish Government argues that this is mitigated by the extra income from the council tax bands (£111m) and the extra £107m coming from the NHS budget for social care. The council tax band increase is real extra revenue, even if there is no basis for including it in a central government budget. The social care cash is for a specific additional commitment (contractors living wage) so won't help to mitigate grant cuts.

The government also assumes that councils will increase the council tax by the maximum 3% they are allowing, generating £70m of real extra revenue. Again, this is a matter for councils, who may reasonably point out that the government isn't using its tax raising powers.

There is £13.2m extra in real terms for housing, including fuel poverty.

Misc.

The energy budget increases by more than £20m, although most of that is a restoration of a mid-year cut. There is a cut in the enterprise budget, but a big increase in the cities investment and strategy budget.

There is a £1.8m cut in SEPA's budget. More cash will be spent on digital connectivity, roads and rail, but less on buses by cutting the cost of the concessionary fares scheme. There is an additional £1.1m for Scottish Canals.

Pay policy

The Scottish Government has also published its pay policy for 2017-18. Yet again pay increases are capped at 1% for those earning more than £22,000 - at a time when average earnings are going up by 2.6%. The other provisions are similar to this year.

Conclusion

This is a relatively easier year for the Scottish government budget – the next two will be significantly tougher, unless there is a change in UK austerity policies. Again, it is local government that comes off worse, although the double counting of social care funding means NHS budgets will be tight as well. Councils do have some mitigation this year through the council tax banding changes and the ability to increase the council tax.

Further info

Draft Budget

<http://www.gov.scot/Resource/0051/00511808.pdf>

Cutting APD is the wrong priority

<http://publicworksscotland.blogspot.co.uk/2016/12/cutting-air-passenger-duty-is-wrong.html>

UK Autumn Statement

<http://www.unison-scotland.org/2016/11/23/e-briefing-autumn-statement-and-scotland-nov-2016/>

Council Tax changes

<http://www.unison-scotland.org/2016/09/08/e-briefing-council-tax-changes-2016/>

Audit Scotland overviews

Health

<http://www.unison-scotland.org/2016/10/27/e-briefing-nhs-scotland-2016-audit-scotland-overview/>

Local Government

<http://www.unison-scotland.org/2016/11/30/e-briefing-local-government-2016-audit-scotland-overview/>



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