

Briefing Paper

SCVO Brief on Scottish Budget 2019/20

13 December 2018

Introduction

The Cabinet Secretary for Finance, Economy and Fair Work has announced the Scottish Government's Autumn Budget only months before the UK's scheduled exit from the European Union. It comes amidst the uncertainties of the withdrawal arrangements and the impact this will have on the Scottish and UK economies. As with the UK Budget, Scotland's 2019/20 budget proposals may be revisited in a no deal situation.

The Cabinet Secretary explained there is no end to austerity in sight, despite claims made by the UK Government in its own budget statement. The statement by Philip Alston, special rapporteur on extreme poverty, following his visit to the UK in November, highlighted austerity being delivered from Westminster by choice, and Scotland was recognised for attempting different approaches with the limited powers it has.

The Cabinet Secretary noted that Scotland's resource block grant had reduced by £2b in real terms compared with 2010/11, a fall of 7%. With NHS consequentials excluded, there will be £340m less in block grant than 18/19. Scottish Fiscal Commission Forecasts have revised up GDP Growth in every year, but Brexit will lead to slower growth and impact on public services.

A clear message was sent to opposition parties and it is one that will apply to third sector organisations, too. Parties and others must indicate where further funding for additional spending can be found and where cuts should be made to support additional spending asks.

Third Sector Priorities

The budget references the following third sector priorities:

- Maximise the impact of the sector in reducing inequality, working with communities to tackle tough social issues at source;
- Provide support and investment to the social enterprise sector, credit union movement and the wider enterprising third sector;
- Support work to tackle poverty and inequality through European Social Fund programmes; and
- Work to provide the third sector with greater stability of funding and the opportunity for longer-term planning and development, helping the sector contribute right across the National Outcomes.

The Office of the Scottish Charity Regulator will receive a one off sum of £300k for safeguarding and digital modernisation internally.

Income Tax

The Scottish Government will increase the Starter and Basic Rate bands by inflation to protect our lowest and middle earning taxpayers, meaning 55% of Scottish taxpayers will pay less than they would elsewhere in the UK. The Scottish Government will not follow the UK Government in providing a tax cut to higher earners. The Scottish Fiscal Commission has forecast that the policy proposal to freeze the Higher Rate Threshold in 2019-20 will raise an additional £68 million. Changing this policy to match UK rates and bands would come at a cost to the Scottish budget of around £500 million. However, the Cabinet Secretary will certainly be keeping an eye on the growing gap emerging with UK bands in future budgets.

Local Government

Scottish Government have said they will provide local government with a real terms increase in both revenue and capital funding, and a real terms increase in total overall support provided through the settlement of £11.1 billion in 2019/20. However, COSLA have explained that in reality there is a cut to core budget given the ring fenced nature of new commitments in the settlement.

At the same time, the public sector pay policy includes a three per cent pay rise for all earning less than £36,500; caps the pay bill at two per cent for all those between £36,500 and £80,000; and limits the maximum pay uplift for those earning over £80,000 to £1,600.

With the flexibility of Local Authorities to raise Council Tax levels limited to an increase of 3% despite calls for the cap to be lifted, it is unclear how Local Authorities will be able to afford such a raise without impacting on third sector contracts. This could see the sector continue with subsidising contracts from its own purse, especially if Local Authorities feel there is a cut to their core budgets.

Employment/Employability

The Scottish Government's commitment to Fair Work and Employability includes publishing a Fair Work Action Plan, investing £5m over three years to support 2,000 women return to work, publishing a Future Skills Action Plan in early 2019, continuing to deliver the £10m Flexible Workforce Development Fund and a new £1m fund to help those on low incomes benefit from digital skills training. In 2019-20, Scottish Government will through Skills Development Scotland, invest over £214 million in apprenticeships and skills, an increase of £22 million, supporting expansion for 30,000 starts per year by 2020. SCVO welcome Scottish Government's intention to review its approach to employability to streamline it and make it more cohesive across different policy areas.

Fairer Scotland

The Fairer Scotland Budget sees a reduction of £3.2m, down to £24.6 in 2019/20. These reductions have been explained as efficiency savings and transfers through other budgets, integrating advice with consumer advice functions. Spending on sanitary products is being substantially reduced as Scottish Government believe they over budgeted.

Welfare Social Security

Work on the transfer of social security powers under the Scotland Act continues and the total social security budget of £560 million supports the programme of delivery; the administration of Social Security Scotland; and the provision of assistance directly to those who need it most.

The Scottish Government will commit over £435 million in direct assistance; and invest almost £80 million on the continued development and expansion of the systems and processes required to build a Scottish Social Security system which places dignity and respect at its heart. £37m will be provided for Carers Allowance Supplement and £12.4m for Best Start Grants.

The Scottish Government will invest nearly 100 million to continue their mitigation of the Bedroom Tax and UK Government welfare cuts. They will also provide additional investment to increase Fair Food Fund, which supports the work of foodbanks, from £1.5 million in 2018-19 to £3.5 million in 2019-20. This is hoped to remedy challenges by the roll-out of Universal Credit

Sport

With sport and recreation fundamental to the pursuit of preventative health policy, the Scottish Government will be expanding the Care About Physical Activity programme, investing in the Changing Lives Through Sport and Physical Activity programme, providing £1.2 million to support walking groups throughout Scotland and increase support to Community Sports Hubs within the 5 per cent most deprived communities. Scottish Government will again underwrite the potential shortfall in funding of up to £3.4 million for sportscotland in 2019-20 and will continue to encourage the UK Government to take the appropriate action required to address lottery reductions.

Energy efficiency

Moving towards the passage of the Climate Change Bill, Scottish Government continue a commitment towards a low carbon economy, including £50 million for low carbon transport measures, including the expansion of electric vehicle charging infrastructure to support the phasing out of new petrol and diesel vehicles by 2032, £80 million for Active Travel and over £145 million investment in energy efficiency and heat decarbonisation. They will continue to make available £0.5 billion over four years for the Energy Efficiency Scotland programme.

Housing

Scottish Government will continue investment of over £3b to deliver 50,000 affordable homes during this Parliament. They will increase investment in the Affordable Housing Supply Programme to ^[1]_[SEP] £826 million. However, recent data has shown that the Scottish Government is running behind its social house building target and there are concerns that the promise of 35,000 new social homes will be broken.

Health and Social Care

The Scottish Government's 2019-20 resource block grant is £340 million or 1.3 per cent less in real terms than it was in 2018-19. Scotland's NHS Boards budget increases by the £600 million promised and that will deliver a total of £730 million of additional investment in health and social care this year. There will also be an increase in direct investment in mental health by £27 million, taking overall funding for mental health to £1.1 billion. Scottish Government will implement their commitment to extend free personal care to all those under 65 who need it with investment of £30 million; and increase overall investment in Health and Social Care Partnerships to over £9 billion for delivery of primary and community health services.

Scottish National Investment Bank

The Scottish Government will provide initial funding of £130 million towards the establishment of the Scottish National Investment Bank (SNIB). The Bank provides the opportunity for Scotland to establish itself as a global leader in moving to a high-performing and modern economy, one built on sustainable finance to accelerate the transition to a zero-carbon economy where the benefits are realised across all groups in Scottish society. SCVO will continue to monitor and feed into the process of setting up the Bank.

European Funds – shared prosperity

The Budget notes the significant resources provided to Scotland through European Regional Development Fund (ERDF) and European Social Fund (ESF). For ^[1]_[SEP] the period 2014 to 2020 some €944 million has been allocated to Scotland. However, there is no mention of how Scotland will work with the UK Government to ensure a smooth transition from European Structural Funds to

spending money on a UK Shared Prosperity Fund. The creation of the UKSPF creates several risks and concerns and SCVO will continue to work with the third sector to get on the front foot and demand what we want from the UKSPF.

Business and land tax

Scottish Government's proposals deliver a below-inflation cap on business rates increases, ensuring that more than 90 per cent of properties in Scotland will pay a lower poundage than they would in other parts of the UK. This is in addition to the most generous package of reliefs in the UK, worth more than £750 million in 2019-20, including our commitment to lift 100,000 properties out of business rates altogether. In terms of non-residential land and transaction tax, two thirds will pay less tax in future with new legislation laid this December.

Barclay Review

In early 2019, Scottish Government will bring forward primary legislation to deliver other Barclay Review recommendations including measures to support growth, to improve administration of the system and increase fairness, such as the shift to a three yearly revaluation cycle and policies to address known tax avoidance tactics around second homes, charities and empty properties.

Other charity developments

FASD: increase support for children and families affected by Foetal Alcohol Spectrum Disorder (FASD) with investment of £0.3 million. Over the next year, will work to set up a third sector hub that will focus on both preventing instances of FASD arising in the first place and supporting families following diagnosis.

Veterans: Continue to work across the Scottish Government to respond to the recommendations of the Scottish Veterans Commissioner's reports

Victims and witnesses: Continue to support the work of third sector organisations who provide information and advice to victims of crime, including the development of a new service for families of homicide victims.

Community Justice: Implement the national Community Justice Strategy to deliver better outcomes for individuals and communities.

Conclusion

With so much uncertainty in the air, this is a transition budget to get us through chaos overrunning British politics. Some of the giveaways to certain groups are welcome, but we are much more interested in working in partnership with the Scottish Government to deliver a strategy for the sector and its long term viability.

That is why over the course of the 2019/20 budget, we will work with Scottish Government to progress longer-term funding approaches for the sector, stand up for the third sector's interests in public procurement and the delivery of a UK Shared Prosperity Fund and champion fair work and an inclusive economy that works for all.

We will also monitor developments with Local Government funding and the impact any reductions in core funding could have on services delivered by third sector organisations, seek greater representation of civil society throughout the development of Scotland's National Investment Bank, and continue to monitor the impact that a chaotic Brexit could have on Scotland's third sector.