



The Scottish Government Draft Budget 2016-17

Summary of provisions relevant to voluntary sector care and support providers

A briefing from CCPS – Coalition of Care and Support Providers Scotland

Introduction

The Scottish Government's Draft Budget 2016-17 was introduced to Parliament on Wednesday 16th December 2015 by Cabinet Secretary for Finance, Employment and Sustainable Growth. The full document can be accessed on the [Scottish Government website](#).

The delay in publishing this year's Scottish Draft Budget arose because of the delay in the new Conservative Administration in Whitehall publishing the UK Government's Spending Review and Autumn Statement in late November 2015. This UK Statement sets out the UK Government's spending commitments for the 5-year period to 2020-21; this Scottish Government Draft Budget relates only to the year 2016-17.

The Draft Budget document is introduced by some passages of contextual material, including the following:

"The UK Spending Review published last month made clear that public expenditure in Scotland will face year-on-year real term reductions until the end of this decade. This means Scotland's budget will continue to fall and by 2020 it will be 12.5 per cent lower in real terms than when the Conservatives came to power in 2010. This is the equivalent of one pound in every eight we spend being cut by Westminster by 2020.

This imposes acute challenges on day-to-day spending."

Scrutiny Timetable

The Scottish Government's Draft Budget 2016-17 is subject to scrutiny by the Scottish Parliament Finance Committee, before being debated by the full Parliament. The delayed UK announcement means the Scottish Parliament's scrutiny process this year will be truncated. The Finance Committee debate will merge with the Stage 1 of the Budget Bill whilst the Stage 3 debate remains set for February (the 24th). This timing is critical to ensuring Royal Assent remains achievable by March to allow the Budget to commence in April 2016.

New Tax Powers

This Draft Budget marks the introduction of the new Scottish Rate of Income Tax (SRIT), arising from the implementation of the Scotland Act 2012. The Cabinet Secretary now has to set the rate for income tax that all Scottish residents have to pay. The tax revenues raised by the SRIT will help to compensate the Scottish government's total revenues following the automatic reduction in the Scottish block grant from the UK government. The tax rate that is assumed will no longer accrue to the UK Exchequer is 10p in the pound (10%). Failing to set a rate for the SRIT is the same as setting the rate at 0%.

The Cabinet Secretary has decided to keep the SRIT rate at 10% for 2016-17. In this way, he argues, the HMRC and Revenue Scotland will have a better understanding of the 'baseline' income that should be applied in future Block grant adjustments. It will also mean any increase in SRIT (as a possible means of raising Scotland's overall tax revenues) does not fall disproportionately on lower paid tax payers. This latter effect will be less of a challenge once the additional tax raising powers (contained in the Smith Commission proposed powers) are available; these will allow adjustments to top rates of tax without having to make equivalent adjustments across all the other tax bands.

The value of the SRIT for 2016-17 is estimated by the Office for Budget Responsibility (OBR) to be worth £4,900 million.

The Scottish Draft Budget proposes an amendment to the Land and Buildings Transactions Tax (LBTT), the property tax that was introduced this year; an Additional Supplement is to be levied on additional residential properties. In total, this property tax (residential and commercial) is projected to raise £538 million in 2016-17.

The Landfill Tax (also introduced in 2015-16) is projected to raise £133 million in 2016-17.

Together these devolved taxes (SRIT, LBTT and Landfill Taxes) are projected to raise £5,571 million in 2016-17.

Unlike all previous post-devolution budgets, the Scottish government's revenues will now be subject to greater variability and the Scottish Fiscal Commission is responsible for providing independent scrutiny of the projections for these new taxes. In its [December report](#) the Scottish Fiscal Commission concludes the Scottish government's projections are reasonable. However it also signals that due to a lack of quality Scottish data, there are also inevitable "*unquantifiable uncertainties*" surrounding the projections which will only be reduced over time. What is not clear is how such uncertainty has been factored into the current Scottish government budget allocations.

Budget Priorities

The Draft Budget clearly signals the desire and necessity for the continued delivery of more for less. As a consequence, efficiency savings of "*at least 3% per annum during the course of the current spending review*" across all public sector organisations is taken as a given.

The Cabinet Secretary's overarching aims are to target public spending to improve economic growth whilst continuing reform of public services, working in partnership with local government, the private and third sectors as a mean of improving outcomes for all.

The rationale for targeting public spending on economic growth measures may arise because more of Scotland's revenues are increasingly dependent on the Scottish economy continuing to grow and prosper.

Headline figures

Total Budget

- The Scottish government's total revenue budget (ie. RDEL) of £26,960 million represents a cash fall of £148 million over 2015-16, or a real terms fall of almost £600 million (down by just over 2.2% in one year);
- If non-domestic rates income and HM Treasury support for public sector pensions are included (which are classed as AME spend), the Scottish government's total budget in 2016-17 is over £37,000 million, a fall of £188 million (in cash terms) or almost £810 million in real terms (or a fall of just under 2.2%).

Health

As was widely anticipated, Health is a headline feature in the Draft Budget:

“This Draft Budget delivers an additional half-a-billion pounds for the NHS. That will enable investment of an additional £250 million to support the integration of health and social care and build the capacity of community-based services – this is the most significant reform in health and care since the creation of the NHS in Scotland in 1948. These transformational reforms, built on the principles of the Christie Commission, will mean fewer people need to go to hospital to receive care, but they will also ensure that where hospital care is necessary and appropriate, people will spend less time in hospital and return home more quickly.”

- The **total Health** budget will reach almost £13,000 million in 2016-17, rising £689 million (in cash terms) or over £470 million (in real terms), a real terms increase of 3.8%;
- Of this increase, £190 million is for revenue spending, with the remainder earmarked for capital expenditures;
- Within this total Health budget is the funding transferred from the Integration Fund aimed at delivering the Health & Social Care Integration;
- In addition, £250 million has been allocated to support Health & Social Care Integration, specifically to *“improve social care outcomes”*, but it is not yet fully clear how these funds will be distributed and accessed (see *Local Government* section below);
- The **Territorial Health Boards** will see a **revenue** increase of 5.5% in cash terms (3.8% real); up £476 million;
- **NHS Special Health Boards** and **General Medical Services** both benefit from real terms revenue increases of 1.6% and 1.9% respectively;
- A ‘Primary Care Fund’ has been established at £45 million to help develop new models of primary and community care (*“where multidisciplinary teams of nurses, doctors, pharmacists, Allied Health Professionals and other clinicians, as well as social care specialists, work together to meet the needs of their communities”*);
- A ‘Transformational Change Fund’ has been established at £30 million to transform healthcare services to meet Ministerial priorities for their 2020 Vision;

- An additional £50 million over five years for mental health services innovation and development.

Local government

Cuts to the local government budget were heavily trailed in the days before the Cabinet Secretary's announcement. The document states that the Draft Budget will deliver *"a strong but challenging financial settlement for local government."*

- Total revenue spending is set to fall next year from £9,895 million to £9,545 million, a cash terms fall of over £350 million or almost £510 million in real terms;
- Capital spending is set to fall £250 million (in cash terms);
- The Council tax freeze is set to continue for the ninth consecutive year.

As noted above, an additional £250M has been allocated for social care, however it initially appears that is to be routed through the NHS, rather than through local government. COSLA is seeking urgent clarification of this point specifically, as set out in their most recent [press release](#). For its part, the budget document states that *"the Government continues to place considerable importance on our partnership with local government and we will discuss with local government the approach to implementing this budget in advance of Stage 3 considerations"*.

Third Sector

The budget document states that the Scottish Government will ensure *"the third sector continues to play a key role in the support provided to communities and in the delivery of public services by protecting the core budget of the third sector within government. We value the work of the sector in all its diversity and this budget will enable investment in third-sector activity and infrastructure."*

- Funding for the Scottish Government Third Sector Unit remains unchanged in cash terms at £24.5 million, a fall of £0.4 million in real terms between 2015-16 and 2016-17;
- Of this, funding for 'Strategic Engagement and Infrastructure' is projected to fall by £0.6 million whilst funding for 'Change Prevention and Innovation' is set to rise by roughly the same amount.

Children & Families

The document states that *"In 2016-17 we will continue investment in the Third Sector to support the delivery of vital services to those children and families who*

need them most; [and] support the implementation of key provisions in the Children and Young People (Scotland) Act 2014”.

- Total funding for Children & Families is set to fall from £120 million to £117 million, although this is mostly a non-cash reduction in the Disclosure Scotland budget line;
- Child Protection funding and Supporting Families with Disabled Children funding are both set for a small rise of £0.2 million and £0.25 million respectively;
- Funding for Scottish Social Services Council Resource and Workforce Development both remains static at £13.324 million and £3.424 million respectively.

Justice

Community justice services will see an increase of £4 million next year, although it is not yet clear how this funding will be allocated. At the same time, Safer and Stronger Communities will see a significant cut to their budget from £40.3 million in 2015-16 to £7.1 million in 2016-17¹. The Scottish Prison Service (SPS) will also see its budget fall (from £369.2 million to £357.2 million) in 2016-17, largely as a result of a drop in capital funding.

Holyrood magazine reports a Scottish Government spokesperson as saying: *“The draft budget decisions for 2016/17 are consistent with the Scottish Government’s vision for penal reform policy. The change to SPS revenue funding reflects our commitment to continue to move the emphasis of penal policy from ineffective short-term prison sentences to community-based alternatives, whilst supporting the positive transformation within prisons towards increased emphasis on rehabilitation and effective reintegration.”*

Equalities

- Funding for these initiatives is set to remain static in cash terms at £20.3 million.

Employability & Skills

- Total funding is set to rise by almost £15 million in cash terms from £48.8 million to £63.6 million, with the largest increase going to the ‘Education Maintenance Allowance’, up by £10 million.

¹ From 2016-17, funding for Drug treatment services that support recovery of individuals will be part of the Health and Wellbeing Portfolio, rather than part of the Safer and Stronger Communities Portfolio.

Other miscellaneous budget changes

- The **Integration Fund** of £73.5 million, previously in the Health & Wellbeing budget line, has been transferred to the Health Boards as part of their baseline budgets;
- The **Community Justice Service and Programme** costs budget contribution is set to rise by £4 million (to £15.05 million) to help reduce the number of people receiving short-term custodial sentences;
- The **Empowering Communities** core funding is set to rise by £7.1 million to £16 million;
- The **Self Directed Support** programme is set to fall £0.4 million, a 3.3% cash terms fall;
- Funding for the Independent Living Fund (**ILF**) has been boosted by £5.5 million, taking it to £53.3 million in 2016-17;
- The **Carers Strategy** rises to £7.8 million (£5m for the Carers Strategy Implementation and £2.7m for short breaks for unpaid carers);
- The **Mental Health Improvement and Service Delivery** increases to £38.2 million, up £15.7 million.
- **Social Security** funding aimed at housing support and the welfare fund is set to rise by around £1 million to £74.3 million
- Capital grant support for **affordable housing supply** is set to rise by over £100 million to £369 million.

Overarching Issues

The **public sector pay policy continues** for a further year, with the overall pay bill set to increase by no more than 1% (subject to achieving equality issues). Additional pressures on the wage bill that will need to be accommodated arise from increases to National Insurance and the UK government's National Living Wage policy. Delivering this pay policy objective may therefore further test the no compulsory redundancies objective.

There is renewed commitment to the '**Fair Work**' agenda:

"We will work with employers, employees and trade unions, through the Scottish Business Pledge and the Fair Work Convention, to deliver fair work and inclusive growth... We will continue to promote fair work and will support implementation of any recommendations of the Fair Work Convention, which is due to publish its blueprint for fair work in Spring 2016."

There is, however, no immediately obvious recognition of the challenges faced by third sector public service providers in meeting either the requirements of the new National Living Wage or the aspirations of the Fair Work agenda.

The Draft Budget proposes the continuation of various **universal (ie. non-means tested) entitlements** including free personal care; free prescriptions; free concessionary travel; no tuition fees.

The Draft Budget presents a **stock take on the various Change Funds** that have been running for the last 3 years:

- The Early Years Change Fund was established "*to be a catalyst for delivering and embedding transformational change in early years services, by focusing on activities that support prevention and early intervention*" In total the Scottish government along with Local Authorities and Health spent a total of £274.25 million over four years 2012-13 to 2015-16 on this initiative. Whilst no extension to the Fund was made, further development for the Public Social Partnerships (PSPs) and the Early Years Collaborative (EYC) were intended to ensure long-term sustainability and early years services improvements. Funding for PSPs in 2016-17 is included in the 'Social Enterprise, Social Finance and Innovation' budget line which has a standstill budget of £8.3 million.
- The Reshaping Care for Older People Change Fund (RCOP) contributed £300 million between 2012-13 and 2014-15 to help enable older people remain independent. The Fund was reviewed in June 2015 and following evaluation, which helped refocus the final year's activities with the requirement for all to to "*build and sustain the progress made towards the RCOP goals within the context of emerging integrated health and social care arrangements and their longer-term strategic vision*". A further £300 million has been allocated to the Integrated Care Fund covering 2015-16 to 2017-18 to extend the shift to prevention and tackling inequalities. What is not clear is whether this is assumed to part of the Health Boards' baseline budget.
- The Reducing Reoffending Change Fund is projected to contribute £18 million between 2012-13 and 2016-17 to develop "*new and preventative approaches to community justice activities, and to enable third sector organisations to take a fuller part in the co-design and delivery of such services*". This approach was fostered by the use of PSP models to allow the private, public and third sectors to co-produce effective services. The

Scottish government is set to publish its evaluation report on the role and effectiveness of the mentoring and the PSP model at the end of 2015.

- The Scottish government views the Community Empowerment Act (2015) as the means by which will keep "*prevention and participation at the heart of public services of the future*" and will support this via the Empowering Communities Fund which is set to be £16 million in 2016-17.

End note

CCPS will continue to digest and analyse the Draft Budget, and will seek dialogue with Scottish Government on the key elements of relevance to our membership, in particular the resources associated with health and social care integration (and specifically the additional £250M as noted).

CCPS

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