Introduction to our response

The prime aim of NHS Health Scotland is to reduce health inequalities and improve the health of the Scottish population. The evidence concerning the main causal influences on health and health inequalities shows robustly that the most important influences lie well beyond the remit of the health department and health services, and instead concern economic, industrial and welfare policy – all of which have the largest influences on the distribution of income, resources and power across the population. Other policy areas remain important, particularly those which influence the context in which we live - including work availability and type, education, transport, planning, housing, etc. We also know that regulation of the more proximal influences on health (such as food policy, tobacco control and alcohol policy) – including issues relating to ownership (in retailing, shown to be effective in alcohol off-trade sales control and marketing\(^1\)), pricing, taxation, subsidisation and wider regulations relating to the use of harmful products, all remain very important policy levers to achieve public health goals in Scotland.

This evidence has been published in NHS Health Scotland’s policy review (http://www.healthscotland.com/documents/23047.aspx).

The Scottish Government has responsibility for public health, but many of the most important influences on public health described above (particularly relating to macroeconomic policy, taxation and welfare) are not currently devolved. This creates a tension on public health matters as they are accountable for matters which are heavily influenced by reserved policy areas.

Clearly the decisions and rationale for the devolution of further powers to the Scottish Parliament will be made in light of a wide range of factors, but this is one tension that should be taken into account. This is particularly important given the clearly articulated aspiration on all sides of the referendum debate to reduce inequalities in general, and health inequalities specifically.

What general principles should apply to the devolution of further financial powers to the Scottish parliament?

There are several principles that should be considered in the devolution of further financial powers to the Scottish Parliament:

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1. The package of powers must be coherent and workable. For example, devolution of substantial income tax powers without the ability to issue bonds, to borrow and to save would leave the Scottish Government in a precarious position in periods of economic instability, with the potential for large year-to-year changes in the size of the public sector and the employment insecurity which would accompany it. It has also been suggested that an incoherent change to income tax devolution could result in a divergence between the actual tax collected within Scotland and the tax receipts received by the Scottish parliament because of the impacts of devolved policy decisions on economic growth. Similarly, differences in fiscal drag between Scotland and England could have a large impact on income in Scotland relative to England over time which requires a coherent response. It may also be possible for the tax bands to be changed radically by the UK Government at short notice which, although it may be tax neutral for England, may have profound implications in Scotland.  

2. Scotland has relatively high health and social needs compared to the rest of the UK. Maintaining public spending to provide services to cope with these pressures is therefore important.

3. Any settlement should take into account revenue raised and expenditure within Scotland. This is likely to be contentious since there is a higher per capita public spend on many measures in Scotland than elsewhere. However, the extent to which the calculation of public spending includes capital expenditure and the geographical distribution of UK-wide services is less clear. Furthermore, it is likely that more government revenue is raised within Scotland per capita than elsewhere and so both the revenue and expenditure sides of the equation will require to be considered as part of the future settlement.

4. The package must facilitate the Scottish Government to be fully accountable for matters where it has devolved responsibility. The tension outlined above in relation to income and welfare policy being causal influences on health and health inequalities is one such example of an existing tension, but there are many others within public health (e.g. on tobacco and alcohol policy there are some policy areas which are devolved and others which are not — such as duty) and there are likely to be others across a range of policy areas.

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5 See Hansard: http://www.publications.parliament.uk/pa/cm199697/cmhansrd/vo970113/text/70113w07.htm#70113w07.html_spnew0
What further financial powers should be devolved to the Scottish Parliament and why?

What further financial powers should not be devolved to the Scottish Parliament and why?

To what extent could the Scottish Government be constrained in how it uses new tax powers given the interaction with fiscal decisions at a UK level?

Many of the most important causal influences on health and health inequalities are currently reserved matters and it is therefore difficult for agencies in Scotland to influence policy decisions in these areas with the evidence base available. Social justice and public health outcomes are, by consensus, a higher political priority in Scotland. The devolution settlement should facilitate sufficient action to be taken to influence these outcomes, it would follow that the greater the devolution to the Scottish Parliament the greater the opportunity to impact on these outcomes in a sustained and co-ordinated way. However, it is clear that public health policy objectives are simply one amongst many and so that decision requires to be balanced against other considerations.

As noted above, the coherence of the further devolution is paramount here. There are several circumstances in which a partial further devolution may risk the stability of public sector funding or lead to substantial financial shortfalls because, for example, spending but not taxation, or taxation but not borrowing, is devolved.

What are the implications of further fiscal devolution for the block grant?

As noted above, if there is substantial further devolution of financial powers, there is merit in this being maximal and covering both revenues and expenditures such that the block grant becomes redundant and the financial powers and devolution settlement become more coherent. There are numerous issues with how the block grant currently operates and these issues could be intensified if a coherent solution is not implemented.

What are the implications of further financial powers for the role of Revenue Scotland?

We have no comments on this matter.

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