WRITTEN SUBMISSION FROM PETER INMAN

To whom it may concern, please find a submission to the Inquiry attached.

I have no political, trade union or business association affiliations.

This reflects my personal opinion, and is motivated by concern over the potential debt my generation will pass on to subsequent generations.

**Background**

The successful financial management of any enterprise, whether it be a business or public body, is determined by the quality of its business/operating plan (incorporating activity forecasts, monetary targets and budgets) and ultimately how effective it is in delivering the activities within the plan.

If we consider our (cumulative over decades) governmental financial scorecard;

UK indebtedness is £1.5tn, > 90% of GDP, or circa £50,000 indebtedness for every working person in the UK, and this figure doesn’t include unfunded public sector pension liabilities, mortgages and unsecured debt.

In addition Scottish Local Authorities have an indebtedness of circa £15B, or £6100 per working person (about double the equivalent in England), on a population basis this adds a further 12% to our level of indebtedness.

Scottish Government figures, tell us our recurring deficits are deeper than the aggregate of the rest of the UK.

2013/14 Deficit (oil & gas revenues geographically allocated)
- £97bn deficit UK (5.61% of UK GDP)
- £85bn deficit England + Wales + N Ireland (5.37% of GDP)
- £12bn deficit Scotland (8.14% of GDP)
  (55% higher % GDP deficit Scotland compared to Wales)

2013/2014 Deficit (oil & gas revenues population allocated)
- 97bn deficit UK (5.61% of UK GDP)
- £81bn deficit England + Wales + N Ireland (5.1% of GDP)
- £16bn deficit Scotland (11.7% of GDP)
  (130% higher % GDP deficit Scotland compared to Wales)

[http://www.gov.scot/Publications/2015/03/1422](http://www.gov.scot/Publications/2015/03/1422)

These figures don’t take full account of the recent drop in oil and gas prices. Should the price of oil and gas remain at current levels any future Scottish Government will have significant challenges in reducing this deficit, and ultimately the level of indebtedness.
For Consideration
The European Central Bank published the following paper (2012) on Fiscal Stability Arrangements:

It makes some interesting observations:
   i) Rather obvious, but persistent deficits are unsustainable
   ii) A sustainable (able to withstand economic ‘shocks’) level of debt to GDP ratio is 60%
   iii) Government forecasts of GDP are generally over-optimistic between 0.5-4.5%
   iv) Forecasts in countries which have an Independent Fiscal Council were least ‘optimistic’ e.g. Belgium and Holland

Our political cycle is five years, at the end of the cycle during an election, much of the political energy is expended in de-bunking the opponents numbers/strategy. In this process (large) numbers are bandied around with abandon, and the public have little chance of really understanding the ‘true’ fiscal position and by definition, the potential impact of different party policies on that fiscal position.

In my opinion Scotland needs to be more disciplined than it has in the past, in managing its exposure to borrowing/debt, and would ask the Inquiry to consider:

   i) Within any Parliamentary term, until the debt to GDP level falls to the ECB recommended ‘norm’ of 60%, revenue expenditure should not be debt financed.
   ii) The Scottish Government to define a debt management plan (encompassing all levels of elected government/quangos) which takes account of inter-generational ‘affordability’.
   iii) Establishing a fully Independent Fiscal Council with responsibility for determining realistic macroeconomic projections, and monitoring the effectiveness of government at managing i) and ii) above.

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13/04/2014