Local Government and Communities Committee

Draft Budget 2018-19

Submission from the Scottish Council for Voluntary Organisations (SCVO)

Introduction

Here at SCVO we have been engaging our members in a wide-ranging conversation on tax and spending options, in order to find out what are the suggestions the third sector would like to bring to the table ahead of this year's budget. We have spoken to a mix of chief executives, policy leads, and heads of Scotland; our elected Policy Committee and our Third Sector Forum; and they have shared their thoughts with us.

Our earlier discussion paper shows the starting point for our conversations, while below is a summary of our members’ views. We are keen to keep having this conversation, not only amongst our sector but also with members of the Scottish Parliament and Government; so if you have an interest, please get in touch at the contact below.

Context

There has not – yet – been an appetite to use the Scottish Government’s tax powers. But with the Scottish Government now set to open up the debate, the question is: what would the third sector like to see these powers achieve? This question is broad, and some of the things to be aware of in advance of this include:

- The need for wider civil society and Scottish Government / Parliament to think more broadly about what we want to achieve.
- What levers does the Scottish Government have to influence specific outcomes?
- While the UK budget still hugely matters for the Scottish budget, with tax decisions on devolved areas having an effect by altering the block grant of the Scottish budget, the Scottish Government is now reaching a point where half of the budget is driven by revenues raised in Scotland.
- The current political debate on raising income tax dominates the debate on where the money will come from.
- Ministers are cautious around new tax powers and this, alongside political dynamics and long-term demographic change, is a challenge.
- Tax is at the heart of the debate on the economy. How do you balance the tensions between competitiveness and productivity?
The use of tax powers is a complicated process that introduces volatility and uncertainty. We need to better understand the volatility of our tax base.

The Discussions

Firstly, members feel the desire of Parliament and Government to have a debate around tax is very welcome. However, there is a prior step that needs to be taken for people to be able to engage fully with the debate around what money goes where and which taxes to alter, and that is around transparency. With data relating to budget-setting and tax decisions not being readily available, it is hard to really get under the headline figures. If in Scotland we want to have a grown-up, useful conversation about money, then the members we spoke to felt that Scottish Government really must take more steps to share this information.

Secondly, there is the feeling that Scottish Government priorities are still dominated by trickle-down economics, with the inclusive growth agenda being dropped for reasons of economic expediency. The organisations we spoke to believed that, instead, Government should be focussed on how to fund and create a fair society. This involves looking at taxes, and looking at the shape of the economy. What kinds of jobs and businesses are to be prioritised? What behaviours do we want to encourage? This is particularly important in the context of demographic change and increased automation – how do we make our economy fit for our society in the long-term? While we have seen some progressive policies in this direction, the sector were of the view that these policies have been tweaks rather than significant changes. There needs to be a more concerted in this direction if we are to secure long-lasting, positive change for Scotland.

Thirdly, there is a necessity to change the conversation around tax. Some in the sector and civil society more widely have been attempting this for a number of years: tax can be a means to a positive end. Some felt it’s worth noting that, in the UK and Scottish the political and public debate, we put the emphasis on the progressivity of tax systems rather than on the end result. This compares to some other countries in Europe, where tax systems are flatter (although often at a high rate) and so are not particularly ‘progressive’ in design; however, the end result can be more egalitarian in the UK due to high spend on public services. While the Scottish Government and Parliament have done much to articulate the end goal of a fairer, more socially just Scotland, members felt that much more can be done to link that vision to tax and spend decisions. Doing so would enable some of those tricky choices around tax and spend to be met with understanding and support across society.

Finally, the members we spoke to were supportive of having this conversation around tax and spend, and were keen to continue it. They know that if Scotland, with its new powers, could now grasp the nettle and move beyond tweaks to reforming our
economic and tax systems, we would be in a good place to face the next twenty years of devolution.

Conclusion

From these initial conversations with the sector, a key point to emerge was that this is the time to stop talking about simply building a fairer society; rather we need work out how to fund a fairer society. We need to use this opportunity for a more rational, less politicised (we can but hope) debate on the use of tax powers and how we spend income. This must start with a fundamental debate on what we want to see these powers achieve.

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