

Finance and Public Administration Committee

Sustainability of Scotland's Public Finances

Engagement Event, Wednesday 30 August 2023, in Largs

The Scottish Parliament's Finance and Public Administration Committee held an engagement event in Largs on 30 August 2023 to discuss the priorities of participants for the Scottish Budget 2024-25 and beyond, given the financial and demographic challenges ahead. Members of the Committee led discussions in five separate groups with attendees representing the business community, public bodies, local authorities, local health organisations, community groups and the third sector.

The Committee thanks all those who gave up their time to attend and contribute their views. A full list of organisations who participated in the event is included at the end of this note.

The agenda for the event was as follows:

- Presentation by Professor Graeme Roy, Chair of the Scottish Fiscal Commission, on the sustainability of Scotland's finances and the challenges ahead, including an ageing population, growing healthcare spend, and an annual budget gap.
- Discussion in groups on their priorities for the Scottish Budget next year and in the future.
- Presentation by Professor Mairi Spowage, Director of the Fraser of Allander Institute and Budget Adviser to the Committee, on the Scottish Government's current priorities of:
 - Equality: Tackling poverty and protecting people from harm
 - Opportunity: A fair, green and growing economy, and
 - Community: Prioritising our public services.
- Discussion in groups on whether the Government's priorities are the right ones and, in light of the presentations and earlier discussions, agreement in each group on three priorities for the Scottish Budget.

This paper includes summary notes of each of the discussions that took place in the five groups. The format of each summary note reflects the structure of those particular discussions.

Summary note of discussion with businesses, led by Liz Smith MSP

Representatives from businesses gave their thoughts on Budget priorities. Concerns were raised regarding the lack of mention of businesses within the Scottish Government's current priorities. Participants felt that priority should be placed on

outcomes rather than on inputs. For example, the group felt that health and wellbeing is an outcome which results from creating wealth, and that priority should therefore be given to creating the wealth.

Participants identified three top priorities for the Budget. These priorities were as follows:

1. Education and skills development

Participants emphasised that skills development should be a priority. They stated that, in Ayrshire, 1 in 20 young people are not in employment or further education. They considered that too much focus is placed on academic skills and getting young people into college or university rather than into work. The group suggested that careers guidance in schools should be improved. They felt that supporting representatives from businesses to get involved within schools would also be beneficial.

The group suggested that structural changes around skills development are needed. This change should be encouraged by integrating skills development into the school curriculum shifting towards more vocational skills. Participants expressed that they have found organisations such as Skills Development Scotland and Education Scotland to be apathetic about making changes to fill the gap between school curriculums and the skills that employers look for. The group expressed the need for parity of esteem between career pathways, and that this parity of esteem should be reflected in funding decisions.

Participants described difficulties they have experienced in finding people to fill jobs due to a lack of skills and people becoming increasingly removed from the labour market and not applying for available jobs. Currently, some work experience programmes are available, however the group felt that improvements in this area should be made, as access to these is currently uneven and many are falling short.

Participants expressed concerns that a substantial amount of money is focused towards providing free higher education instead of vocational pathways. Once qualified, people are leaving Scotland to move to countries with more attractive job prospects.

2. Incentives for business

Participants highlighted a current lack of incentives for businesses in Scotland. They emphasised the need to incentivise businesses with rates reform, grants, etc. The group suggested that measures such as reducing corporation tax would be beneficial.

Participants felt there were missed opportunities to prioritise businesses in areas where Scotland has a comparative advantage. One area identified by participants was e-commerce. The group suggested that investing in becoming an e-commerce hub could allow Scotland to compete with e-commerce businesses in places such as London, but with much lower costs. Participants felt that such opportunities

should be supported through school curriculums (e.g., through more digital media education), and that businesses should be supported to come together and understand how they fit into the Scottish economy relative to one another.

Some participants proposed that income tax and National Insurance should be merged to put Scotland on a par with England and to incentivise businesses to stay in Scotland. They expressed an expectation that taxes will increase and felt that this would reduce revenues and cause businesses to leave Scotland.

The group suggested that current green initiatives are unaffordable and put extra strain on businesses. Participants argued that fossil fuels are needed, and that priority should be given to improving and expanding productivity in long-standing, established industries. They felt that current schemes are inefficient. For example, grants are given for heat pumps, but participants described experiences of heat pumps not working, or not being effective enough.

The group supported the prioritisation of a coherent industrial strategy in which businesses can be excited to be a part of. They identified issues resulting from Ministers not staying in post long enough to enact real change. Participants felt that a Digital Minister is needed to take advantage of digital opportunities, and that consistency in Ministerial posts is essential to foster real change. Specific business areas that participants considered should be included for development in an industrial strategy included retail, digital businesses, aerospace and engineering, and manufacturing and software.

3. Coherent and interconnected infrastructure

Participants emphasised that infrastructure should be prioritised to support growth. They raised questions around whether sufficient housing is available, especially in rural areas where planning issues cause delays. They suggested that certain businesses (e.g., digital) could thrive in rural communities where fewer facilities (e.g., warehouses) are needed.

Participants expressed that an increase in taxation should be reflected in better services. They felt that skills development and incentives for business need to be supported by adequate infrastructure (transport, housing, etc.). The group felt there is a lack of resilience in current public service systems, citing effects from the war in Ukraine and shortages experienced as a result of importing oil and gas instead of supporting these industries in Scotland.

Participants questioned the efficiency of the current model for Local Government, and suggested savings could be made in this area. The group questioned the necessity of the current number of local authorities in a country of Scotland's size. They also emphasised a lack of connection between local authorities, leading to disjointed approaches. The group suggested reducing the levels of management within local authorities, noting that inefficiencies in current structures may result in money being wasted. Participants stressed that the effectiveness of local authorities is often dependent on good leadership. They felt there is a lack of accountability for large losses (e.g., procurement failures such as in

relation to ferries) and proposed that greater transparency would help resolve accountability issues.

The group suggested that procurement should support community wealth by being geared towards supporting local businesses to compete. They felt that reducing centralisation in some areas could help – for example, participants suggested that teachers could procure resources locally if given the opportunity, and that this would increase efficiency and reduce costs.

Participants highlighted the impact of current levels of home working on productivity. They felt that current policy decisions are contradictory and motivated by short-term political gain. They discussed that investments are being made into infrastructure, such as public transport, but far fewer people are using it to go to work. Participants felt that people should therefore be encouraged back into offices.

In summary, the following priorities were highlighted for the Scottish Budget 2024-25 and beyond:

- education and skills development,
- incentives for business, and
- coherent and interconnected infrastructure.

Summary note of discussion with public bodies, local authorities, and local health organisations, led by Kenneth Gibson MSP and Ross Greer MSP

Part 1: Priorities for the Scottish Budget next year and in the future

Funding should be prioritised to address the twin crises of the cost of living and the climate. A shift towards more investment from the private sector is needed to plug the ‘green funding gap’, along with prioritising investment in infrastructure to help achieve a net zero economy.

The sustainability of universal provision needs to be considered. Rather than “costly means testing”, a more ‘light touch’ approach/regime could be developed, and users could be asked for a nominal payment, for example, for concessionary bus travel. In relation to free tuition fees, there are benefits in having ‘cross-border traffic’ as well as encouraging students to stay in Scotland to work after they qualify.

More integrated services are required, for example tying physical activity into care packages to help address climate change and prevention in health care. This was termed as ‘Green Health’: the opportunity to deliver multiple services and support prevention, while delivering net zero targets. Against a backdrop of financial pressures, the closure of public golf courses and gyms was seen as the ‘nuclear option’ and so local authorities are trying to move the facilities more towards a ‘health delivery vehicle’.

Investment is needed in technology to deliver better health outcomes, and to fund more staff to care for elderly people and deliver care packages to enable more patients to move out of hospital when ready to do so. The local health board is seeking to recruit international workers to help support this.

Locally, funds need to be transferred from early years and childcare (where there are overspends) and schools to services for older people.

Participants questioned whether the Scottish Government has too many priorities, which can be difficult to deliver. Its National Strategy for Economic Transformation (NSET) is seen to be helpful but now needs greater involvement and 'buy-in' from public bodies and to deliver an environmental as well as economic impact.

The burden of regulation, in particular in relation to planning, needs to be alleviated. One suggestion was to handle listed buildings differently, freeing up non-key heritage sites for development and investment by private companies, including to improve energy efficiency. More broadly, the lack of bureaucracy during the Covid pandemic was welcomed.

Local authority representatives agreed with the principle of raising additional revenues from new forms of local taxation for public spending, while recognising there are sensitivities around this. They suggested a need for fair distribution of these revenues across Scotland, rather than them being concentrated in specific local authority areas, to avoid winners and losers. Participants considered that raising income tax is politically difficult if it is not to fund additional services (it could be to maintain the status quo).

Part 2: Are the Government's priorities the rights ones?

A discussion was held around the Scottish Government's current priorities. Participants considered the following issues to be important in relation to spending priorities:

- prevention,
- joined-up services and delivery,
- net zero,
- transparency around decision-making for the public,
- digitalisation, including using artificial intelligence to allow staff resources to be deployed more effectively,
- join up university course provision with employability and labour market needs and future trends, as well as creating career pathways (including in relation to net zero), graduate apprenticeships, and shorter degree courses,
- local government reorganisation, focused on management structures while maintaining localised decisions,
- simplification of the planning system and less bureaucracy in regulation,
- look again at universal provision, including how free tuition fees might influence the type of courses that are being offered by universities,
- focus on ensuring society has healthy people, who are able to work and pay their taxes, and

- create conditions to move people out of poverty, including through the social security system.

In narrowing down these issues to three priority areas, the following were highlighted for the Scottish Budget 2024-25 and beyond:

- prevention,
- digitalisation, and
- joined-up services and delivery

Summary note of discussion with representatives from the third sector and local community groups, led by Michelle Thomson MSP

Part 1: Priorities for the Scottish Budget next year and in the future

The group discussion focussed on the NHS and healthcare spend. Issues raised included over-50s needing to opt for private healthcare as they are not receiving the treatment that they require through the NHS due to the length of waiting lists. It was noted that post-Covid, the NHS has deteriorated and that an ageing population requires more support in using the health service. The group queried what the priorities were in NHS decisions. Participants also noted the relative low earnings of junior doctors for the work they provide, meaning it can be difficult to retain staff.

One member of the group challenged the notion of an increase in the ageing population, they felt this is plateauing. When asked if that population could pay more tax to go to the NHS for example, the group responded that it would depend on where that money was spent – they would want it to go towards helping people needing care and support with cancer and to helping elderly people. The group also noted that there needs to be an understanding across the whole of society as to where money is being spent. Those who have paid taxes all their lives would feel that they wouldn't need to pay any more.

The group suggested that less money could be spent in the following areas:

- constitutional differences with the rest of the UK,
- advertising expenses,
- the number of national representatives, and
- gender reassignment.

More money could be put towards the country's transport infrastructure and the integration of health and social care.

One member of the group suggested that Scotland needs to create wealth for its own benefit. The group also noted that there are no suitable jobs for young people and smaller businesses are not able to afford the living wage. The third sector were

also mentioned as an area that needs funding. Local transport issues were also mentioned as lessons that could be learned, as was the loss of local industry to overseas interests. It was felt that services could be more proactive rather than reactive when it comes to job creation.

Part 2: Are the Government priorities the right ones?

The group discussed the priority of tackling child poverty, but one member of the group queried, using local examples, where money is going beyond the parents. Job creation was also discussed to lift people out of poverty and move people away from benefits and from food poverty to healthy eating. However, there was broad agreement that the Government's priorities are the right ones, but there are issues around the level of resources targeted towards them. Greenspaces and climate change were noted as being important, but it was hard to weight this against the likes of employment, poverty and health.

There was discussion on Scottish products having identity and recognition. It was noted that more investment is needed in high streets, again using local examples of empty shops and spaces, private landlords pricing local businesses out of the area and buildings falling into disrepair.

One member of the group asked how long in the future do elected Members look, whether it's 5 years, 10 years or 20 years and suggested that there should be a vision for Scotland that looks 10 to 20 years ahead. There was also comment on there being no simple solution to a diminishing tax base. Wealth creation was mentioned along with the manufacture of goods for consumption in Scotland. The group felt that money should be spent sensibly and cost-effectively.

The group agreed the following priorities for the Scottish Budget 2024-25 and beyond:

- NHS spend,
- alleviating child poverty,
- a vision for Scotland, including wealth creation and job creation, and
- localism, with more of a focus on local issues.

Summary note of discussion with representatives from community groups and the third sector, led by John Mason MSP

Part 1: Priorities for the Scottish Budget next year and in the future.

The group focussed on where greater funding for the Scottish Budget could be achieved as well as on where there should be greater expenditure.

The role of ensuring that all sources of income are maximised was highlighted as key during times of financial constraint. This includes:

- greater focus on tackling tax evasion both at an individual and business level,
- considering means testing of currently universal benefits as well as in relation to access to services for those with significant pensions and incomes. The group considered that some services such as access to schools and health care should remain free to all, and
- seeking greater income revenue from land taxes.

The group considered that those earning the most should be taxed more and that those in publicly funded posts such as senior public servants and politicians (UK and Scottish) should not be as highly paid, thus increasing the amount available to the Scottish budget. It was highlighted that those on middle to lower incomes spend their earnings in their communities thereby supporting others in work. It was also noted that removing charitable status from private schools would bring in more funding for the Scottish Budget.

The lower level of corporation tax compared with income tax levels was questioned.

Greater accountability for ensuring money is spent effectively was highlighted as a key approach to ensuring that as much money is available for the Scottish Budget as possible. This strengthened accountability includes Government being prepared to stop projects/spending on policies sooner if they are not delivering on key milestones or objectives (such as not on budget or timescale); ensuring that those with oversight responsibilities have the correct skills; and more rigorous inspection and monitoring to ensure work is completed to the standards expected or contracted for.

An ageing population should also be seen as an asset as older people can provide a benefit to society given the many roles they can fulfil, such as providing care and childcare and in public service.

The group considered that mental health provision is under-funded, and this has a significant impact on many other aspects of society. Providing more funding to mental health services would also lead to improvements in physical health (through feeling able to be more physically active), alleviating pressure on the NHS, and supporting better outcomes for those in education through better mental health.

Part 2: Are the Government's priorities the right ones?

The Group considered that the Government priority of 'tackling poverty and protecting people from harm', was the right priority. It was highlighted in relation to social security that:

- how the money is provided to individuals living together (to a single account) could exacerbate financial control and abuse, and
- investment in early years (addressing deprivation experienced by those under 5) is key to improving life chances.

Some participants in the group suggested in relation to ‘Prioritising our public services’, that policing should be a priority given the experiences in Largs, while others highlighted the challenges in local general practice provision. There was a sense that post-Covid some of the previously valued approaches such as in-person appointments and quick call-handling have not returned to previous levels in the way they should have.

In considering how budgets are managed between policy areas such as health, policing and fire services, there was a view that any budget reductions should be more fairly and equally distributed across policy areas rather than some areas being protected at the expense of others.

It was felt that privatisation of some previous public services impacts more on those with less income, e.g., charges for doctors’ notes and some aspects of dentistry. There was concern that those with money could access private treatments while others had to wait (sometimes years) for treatment.

Accountability was again highlighted as being key to ensuring that public money is spent effectively and allied to that was the view that decision-making should be closer to where the decisions would impact. It was explained that those making decisions high up in organisations didn’t necessarily understand how to make that decision work in practice and that was why local decision making was important. This, it was felt, would also provide for better accountability.

In considering the Government’s priority for ‘a fair, green and growing economy’, there was recognition that, while it was important to address the impacts of climate change, the focus on electric vehicles, low emissions and delivery of benefits through those approaches, was being overplayed. In addition, sometimes the necessary infrastructure is not in place. A greater focus on reducing waste and improving recycling (including ensuring waste is not sent abroad) would better address the impact of climate change, while enabling the economy to grow.

The group agreed the following priorities for the Scottish Budget 2024-25 and beyond:

- strengthened accountability – Government should be prepared to stop funding a policy approach/project if it is no longer relevant or does not deliver and be prepared to ask such questions of those tasked with delivery,
- use of taxation to raise more revenue for Government spending,
- better funding for mental health, which can unlock opportunities across the NHS, and
- new ways of working to unlock benefits and a need for more local decision-making.

Summary note of discussion with representatives from community groups and the third sector, led by Michael Marra MSP

Part 1: Priorities for the Scottish Budget next year and in the future.

Participants remarked that the challenges facing the Scottish Budget are not unique to Scotland and other countries face similar demographic issues. However, it was noted that Scotland has natural resources which, participants argued, are inexpensive to tap in and could be better used to improve wellbeing.

Frontline public services should be a priority (“every single day we are more stretched and more stressed”). The police, for example, is unable to meet demand, which is a cause of worry and concern for the local community.

It was noted that the ambulance service receives regular calls from elderly patients who cannot access other types of support and instead become “regular customers”.

Other frontline services have seen behavioural change following the pandemic. One participant argued in favour of a “self-empowered wellbeing nation”, focused on making better use of services available in the community. Investment should be directed towards preventative schemes/projects to support mental wellbeing. Activities promoting mental health, such as gardening, should be encouraged. For example, teaching people how to grow their own fruit and vegetables could be a way of tackling the cost-of-living crisis.

Participants emphasised the need to “look back at what we’ve already tried and hasn’t worked”, rather than exploring solutions that are not deemed to be affordable. It was argued that there is significant waste and inefficient use of resources within, for example, the local Council, with a local park being given as an example of a successful community takeover. More could be done in this sense and there is no shortage of will and volunteers, however, they lack proper organisation and coordination. Another positive example given was that of Largs Campus – a new building replacing four separate schools.

“Reducing the number of people at the top”, particularly highly paid roles in local authorities, was seen as a cost-saving measure. Participants argued there is a lot of repetition in work completed by the Council, with limited results. Communities are consulted on the same issue by various teams within the local authority, however, no action is taken, leading to general frustration.

Participants strongly opposed tax rising to support services, arguing that “people are struggling as it is”. It was noted that council tax rates are particularly high in Largs, which is widely seen as a well-off area, despite considerable poverty - a perception that leads to local organisations missing out on funding opportunities.

Part 2: Are the Government's priorities the right ones?

Participants acknowledged the difficulty faced by the Scottish Government in setting priorities for the budget but stated that these are “the right priorities for now”. The case of the NHS was described as a vicious circle in frontline services. Attendees gave several examples of patients staying in hospital longer than needed due to a lack of provision in community care. They stated that “the problem does not sit with the NHS”, but with the lack of staff and funding available to care homes. Investment in care at home and within the community would break the cycle, relieving hospital beds and pressure on the ambulance service.

More generally, participants argued that “we need to change the risk averse culture within the public sector” and reduce reliance on private organisations for providing public services.

The group further discussed the issue of retirement and part-time working. They questioned the value for money of raising the retirement age, noting that, if they cannot retire, people will instead opt for long-term sick leave. One participant argued that “people are feeling resentment, so they leave the workforce”. Partial retirement was discussed as a potential solution that would “give people a sense of purpose”, reduce staff shortages and relieve pressure on services.

The group agreed the following priorities for the Scottish budget:

1. Bear down on waste and accepted incompetence
2. Shift to prevention by/with/for communities to break negative cycles
3. Shape spending to demographic need, including social care and mental health

List of organisations participating in the engagement event*

Ayrshire Chamber of Commerce
Ayrshire Community Trust
Blue Diamond
Cameron Centre
East Ayrshire Council
Grasshopper Toys
Largs Thistle
Largs Community Council
NatureScot
NHS Ayrshire and Arran
North Ayrshire Council
Opening The Shutters
Skelmorlie Secret Bunker
South of Scotland Enterprise
Supply Chain Management Group
West Kilbride Community Association
West Kilbride Community Council
Wilkie's
Yes Your Entire Self

*Some organisations were represented by more than one person.