



Briefing 07/68

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# The Government Economic Strategy and the Scottish Budget Spending Review 2007

To: All Chief Executives, Main Contacts and Email Contacts (Scotland)

CC: All Chief Executives, Main Contacts (England, Northern Ireland and Wales)

## **Key issues**

Summary and key points raised by Scottish Government Economic Strategy, and Scottish Budget Spending Review 2007

Key issues for local government; funding, procurement, and single outcome agreements

Specific implications identified for the APSE advisory groups by service area

## **1. Introduction**

The government economic strategy, published shortly before the budget spending review, identifies the primary concern of government as the delivery of sustainable economic growth in Scotland. This is to be achieved through the adoption of five Priorities for Sustainable Economic Growth; Learning, Skills and Well-being, Supportive Business Environment, Infrastructure Development and Place, Effective Government, and Equity. It is the combination of the five Priorities for Sustainable Economic Growth that is to focus the activity of the public sector, defined as the Scottish Government, local government, the enterprise networks and other key agencies, on delivering sustainable economic growth for Scotland.

The five Priorities for Sustainable Economic Growth are fundamental to what is identified as the five Strategic Objectives of the Scottish Government; to be Greener, Safer and Stronger, Healthier, Wealthier and Fairer, and Smarter. Any activity committed to by the public sector is to be seen through the prism of these five Strategic Objectives. The sustainable economic growth of Scotland is not presented as an end in itself, but to assist the delivery of the five Strategic Objectives.

The growth of Scotland's Gross Domestic Product (GDP) is to be achieved by increasing productivity and competitiveness, stimulating economic participation, and stimulating population growth. The Scottish Government also declares a preference for the growth to be shared and sustainable. The characteristics of growth should also ideally increase solidarity (reduce inequalities across all individuals), cohesion (reduce the disparity between the regions of Scotland) and sustainability (enhance the environment and reduce emissions). Though the Government Economic Strategy indicates this as a preference of the Scottish Government, it is likely that these values will have an influence on decision-making within the public sector.

Whilst the Government Economic Strategy acts as a key indicator for the direction of the Scottish Government, the Scottish Budget Spending Review of 2007 provides the brass tacks of how the Strategic Objectives will be enacted within the current sitting of the Scottish Parliament. The briefing will first cover general areas of interest to all those involved in local government within Scotland, and then particular issues of relevance to the seven service-specific advisory groups APSE holds throughout the year.

## **2. Funding**

Changes have been made to funding levels provided by the Scottish government, as well as the ways in which the funding can be used. The Scottish Government will pass on funding levels over the period 2008-09 to 2010-11, spread £11.1bn/£11.6bn/£12.0bn over three years. Local government Departmental Expenditure Limits (DEL) have seen an increase of 1.6% per annum in real terms (i.e. after adjusting for inflation). Ring-fenced funding will be decreased alongside the associated regulation from £2.7bn in 2007-08 to a possible £0.9bn in 2010-11, providing a greater level of autonomy to local authorities in how they deliver public services.

Two new funding challenges for local government are contained within the spending review. Council tax is to be frozen for the next financial year at 2007/08 levels, and a new target of 2% cash-releasing efficiencies within the public sector each year for the next three years, an increase from 1.5% per annum. To assist with this change in funding, local authorities will be allowed to retain their efficiency savings, in full, to use as they see fit in addressing local priorities.

## **3. Procurement**

To help make cash-releasable efficiencies in the public sector and boost economic growth, a National Procurement Centre of Expertise will be established. This will institute changes suggested by the McClelland review of 2006, concerning the existing procurement practices within Scotland's public sector. Access to public contracts for small and medium-sized enterprises (SMEs) and social enterprises will be improved through the web pages of e-procurement Scotland, resulting in a national advertising portal for contract opportunities. The Scottish Government will also seek to improve sustainable procurement, urging all public bodies to specify fresh, locally available, seasonal produce.

#### **4. Single outcome agreements**

Each local authority will be invited to enter into a Single Outcome Agreement (SOA) with the Scottish Government. This will cover:

- The contribution which the local authority will make to delivering the high level targets, the national Strategic Objectives, outcomes and indicators
- Cover all existing outcome agreements and planned policy within the Single Outcome Agreement framework
- Include local priorities within the national outcomes, in terms of local outcomes and indicators, and how these will be delivered
- Include details of how local authorities will work in partnership with their Community Planning Partners in the prioritisation and delivery of both national and local outcomes

#### **5. APSE Advisory Groups**

The Scottish Budget Spending Review also contains particular spending commitments that will be of relevance to those involved in the APSE advisory groups.

##### Building and Housing

- A commitment to increasing the construction rate of new housing to 35,000 homes a year by the middle of next decade
- Deliver increasingly high standards of environmental performance and design as the public sector estate is refurbished or created from new
- Build on the recommendations of the Low Carbon Building Standards Strategy and set out a clear route to the goal of zero-carbon buildings, and tightening energy efficiency standards in building regulations

##### Waste and Recycling

- Reduce amount of biodegradable municipal waste sent to landfill as per EU requirements
- Support new waste management projects as part of zero waste strategy

##### Soft Facilities Management

- Legislating to extend entitlement to nutritious free school meals to all primary and secondary school pupils of families in receipt of maximum child or working tax credit in 2009
- To allow further extension of free school meals to all P1 to P3 pupils in 2010

#### Parks, Grounds and Street Services

- Implementing the Planning Act and the National Planning Framework to promote development
- Drive up standards for planning and the design and maintenance of the built and natural environment

#### Transport and Mechanical

- Increased investment in Scotland's strategic transport network

#### Sports, Leisure and Culture

- Invest £47.4m/£53.9m/£54.9m from 2008/09 to 2010/11 in sport to increase participation and improve sporting performance

#### Roads and Lighting

- Investment in trunk road network
- Develop a ten year Road Safety Strategy for Scotland

## 6. APSE Comment

The inaugural Government Economic Strategy and Budget Spending Review of the Scottish Government indicates the changing landscape in which local authorities will operate; one in which local government will be given new freedom to decide their own course, but also an environment in which the public sector remit may be about to change. The two papers put forward a new narrative for Scotland; the increasing of sustainable economic growth through public services and government, and appointing Strategic Objectives as key indicators of progress. The public sector is identified as key to the delivery of the defined outcomes, but it remains to be seen on what side the decisions will fall when there are competing Strategic Objectives.

The Budget Spending Review increases the requirement of cash-releasing efficiencies from 1.5% to 2% per annum, promising a tight squeeze. However this is balanced by allowing local authorities to retain their efficiency savings. APSE welcomes this change, if it acts as a spur towards greater autonomy for local authorities, resulting in the outcome of delivering the right service at the right time for the public. Allowing local authorities to retain cash savings, may offer an opportunity to recalibrate the debate on efficiencies in the public sector; from being seen to 'pare back' local government funding through centrally set efficiency targets, to providing a platform to show what local authorities can achieve with a degree of autonomy. Efficiencies, APSE would argue, are not an end in themselves, it is in what efficiencies can deliver in terms of improved services to the public, and how the public judge the services, that

matters. In addition, the reduction of ring-fenced funding is to be welcomed, providing a level of budgetary flexibility so as to successfully meet local circumstances, unhindered by outside priorities.

The establishment of a National Procurement Centre of Expertise is a positive step in harnessing the collective purchasing power of local government, so as to benefit from economies of scale. With the clarifications on what in EU terms are legal forms of procurement, reiterated by Dave Cook from the Scottish Procurement Directorate at the recent Healthy Communities = healthy Scotland seminar, it is essential that the proposed Centre does not conflict with European law and the professed desire of the Scottish Government to involve and promote Scottish producers. It is to be hoped that the Centre of Expertise utilises the knowledge and experience of procurement advisors throughout local authorities and the Authorities Buying Consortium (ABC) to build a dynamic resource on best practice, and a comprehensive knowledge of suppliers' markets. It is in this area, APSE believes, that real efficiencies can be made, and deliver Best Value to the public.

Both documents highlight the importance of sustainable economic growth to the future of Scotland, but a word of warning remains in how this is to be achieved. The public sector can facilitate economic growth; provision of community services, planning, transportation, place-shaping, but it cannot exclusively deliver economic growth. It is in preparing the ground in which a highly skilled and competitive economy can continue to take root, a partner in achieving sustainable economic growth, not as bearing sole responsibility.

The documents state that public sector provision of key services must be responsive to the needs of business, and that government intervention does not crowd out private sector activity or reduce incentives for growth in the public sector. Local government must continue to re-state the debate on provision of public services is reinforced by the commitment to Best Value and benchmarking.

If you wish to comment on the Strategy or the Spending Review, or any other points in relation to the briefing, please contact myself via email at [afildes@apse.org.uk](mailto:afildes@apse.org.uk).

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