

SUBMISSION FROM SCOTTISH CHAMBERS OF COMMERCE

Introduction

Scottish Chambers of Commerce is the umbrella organisation for 22 local Chambers of Commerce across the country, which have a membership of around 10,500 businesses. These members are businesses of all sizes, drawn from all sectors of the economy, from sole traders right through to large multinationals and they employ over half of Scotland's private sector workforce. Scottish Chambers of Commerce and our constituent local Chambers exist to serve the needs of our members and to represent their interests.

Scottish Chambers of Commerce welcomes the opportunity to contribute towards the Economy, Energy and Tourism Committee's consideration of the draft 2013-14 Scottish Government budget. We will address each of the issues contained in the call for evidence.

Whether spending decisions within the economy, energy and tourism portfolio aligns with the Scottish Government's overarching purpose of increasing sustainable economic growth.

Scottish Chambers of Commerce believes that the most effective way in which the Scottish Government can support long term growth in Scotland's private sector is to ensure that capital investment is maximised and that the focus of such spending should be on enhancing connectivity, both in terms of transport and digital infrastructure. This kind of investment delivers not just a short to medium term boost to construction and related sectors but provides a longer term competitive benefit to a far wider cross section of Scottish businesses and enhances Scotland's attractiveness as a place to invest and to do business.

We recognise the challenges faced by the Scottish Government in budgetary terms, particularly with regard to the sharp fall in capital budget allocations from the block grant that has been evident since 2010. Against this background, we welcome the efforts that the Scottish Government has made to boost capital spending. This is the right thing to do to secure long term sustainable economic growth. We also welcome the focus on transport projects and improvements to digital infrastructure that has been evident in terms of infrastructure project planning. The 2011 refresh of the Scottish Government's Infrastructure Investment Plan was especially helpful and we welcome the ambitious targets to extend the reach of superfast broadband across much of Scotland by 2015.

In terms of the 2013-14 draft budget we welcome the continued focus on maximising capital spend, though in terms of accelerated investment the primary focus is on housing rather than transport. This recognises an acute need and could deliver a well timed boost to the construction sector.

In addition to spending, it is also important to look at the revenues raised by the Scottish Government as part of the budgetary settlement, principally through non-domestic rates. In 2012-13, Scottish businesses were expected to pay an additional £140 million in business rates compared to 2011-12. At the time of the last budget, the additional rates take for 2013-14, compared to 2011-12 was expected to be

around £246 million. These figures represent a substantial additional burden upon Scotland's businesses at a time when margins are extremely tight. Whilst we welcome the package of reliefs that are available to many Scottish businesses to mitigate the impact of business rates, the fact that such significant increases in non-domestic rates revenue are expected means that these reliefs are outweighed by the additional financial burdens being placed on Scottish business. We do not believe that the rising burden of business rates upon Scottish business is conducive to business growth, nor is it helpful at a time when cashflow remains a challenge to many businesses. The Scottish Government could provide a boost to Scottish business by mitigating rates increases in the 2013-14 draft budget. In particular, given that Scottish ratepayers faced a so-called inflationary rise this year of 5.6% - more than double the current rate of inflation - it would be equitable and beneficial to business if next year's expected rise of 2.6% was abandoned.

We remain extremely concerned that the Scottish Government may damage the ability of business to grow and compete by proceeding with its plans to reduce the value of Empty Property Relief, hindering the capacity for investment in the regeneration of our town centres and thereby delivering the opposite result to the intention of the policy.

Consider what progress the Scottish Government is making in delivering its overarching purpose through its spending decisions with reference to the National Performance Framework (NPF) with specific regard to the economic growth, productivity, solidarity and sustainability purpose targets.

The National Performance Framework is a useful tool for the measurement of Scottish Government performance against target, however it does not appear to have a particularly high public profile. It ought to provide guidance in terms of where spending priorities should lie, but we believe that an economic impact assessment of policy and spending initiatives would be a more useful tool.

What progress has been made by the Scottish Government on the preventative spending agenda within the economy, energy and tourism portfolio areas and, in particular, in the implementation of the change funds?

Government policies aimed at providing preventative spend need to be better explained, with a clear and demonstrated linkage between the spending initiative and the future spend that is prevented as a result. Sometimes this is clear, for example where efforts to reduce the prison population can be said to reduce the need to build new prisons in future. However one measure where the causal link is less clear was in the decision in 2012-13 and the two subsequent years to impose a public health levy on large retailers selling both alcohol and tobacco. Aside from the fact that the selection of the targets for this new tax appeared arbitrary, there was little evidence that the revenues raised would be spent on preventative measures in terms of health. The only certainty was that the businesses affected would have to pay more rates for a three year period. The issues this raises need to be revisited.

Planned expenditure on renewable energy and fuel poverty and the impact of this expenditure on meeting the Climate Change (Scotland) Act 2009 targets.

The Scottish Government has set itself challenging targets in terms of renewable energy but there remain issues over the costs associated with renewable energy, particularly offshore wind. The Renewable Energy Investment Fund, created from the surplus from the Fossil Fuel Levy, is welcome in terms of supporting the expansion of Scotland's renewable energy opportunities but we need to be realistic in terms of the costs and how these may impact upon fuel poverty and the affordability of energy in the years to come.

The impact of the 2013-14 budget and the three year spending review allocations within the economy, energy and tourism portfolio on tackling poverty.

The most effective way to tackle poverty is to ensure that businesses are supported to grow and to create employment opportunities and to ensure that Scotland's people are equipped with the skills to take advantage of these opportunities. In order to achieve this, Government needs to ensure that policies across a range of strands are working towards a common objective. This is clearly the intention of the Scottish Government in creating its Central Purpose of increasing sustainable economic growth.

It is businesses which are the wealth creators in Scotland and the private sector which will drive Scotland's future economic growth. The public sector has an important role in supporting this in a number of ways, including economic development, better regulation, accessible procurement, education and skills, infrastructure provision and improving the health of the nation. Scottish Chambers of Commerce welcomes the Central Purpose of the Scottish Government "to make Scotland a more successful country, with opportunities for all to flourish, through increasing sustainable economic growth" as set out in the Government Economic Strategy. It would be even more welcome if government policies, including budgetary commitments, were measured against this Purpose. This would not only foster a detailed consideration by politicians and civil servants of the potential economic impact of policies prior to their implementation but also provide a visible indicator of how economically friendly they are.

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