

## FINANCE COMMITTEE CALL FOR EVIDENCE

### DRAFT BUDGET FOR 2013-14

#### SUBMISSION FROM SCOTTISH COUNCIL FOR VOLUNTARY ORGANISATIONS

##### Summary

- The Scottish Government economic strategy shouldn't focus on economic growth as the sole measure of progress but take a wider perspective encompassing a range of social, environmental and economic outcomes.
- A preventative approach to public services, using community based solutions, will save the taxpayer money in the long term and bring additional social and environmental benefits. This would seem to be a more appropriate focus for public services than one designed to maximise economic impact.
- The Government's National Performance Framework should be reconfigured to encompass wellbeing, social inequality and environmental impact. It should also be openly evaluated by Parliament and should build on new measures such as Oxfam's Humankind Index.
- We should take a more sophisticated approach to business support, rewarding activity that leads to positive social and environmental outcomes, both in Scotland and for poor communities abroad, rather than providing blanket one-size-fits-all support.
- We should consider supporting a community programme in response to the UK Government's welfare reforms.
- Government needs to think more creatively about how it integrates its budgets across portfolios and policy objectives. A focus on 'total place' (where public sector budgets are pooled) could offer a useful way forward here but only if combined with a community-led approach.

SCVO welcomes the opportunity to respond to this consultation and would like to contribute to the following questions:

***To what extent do you consider Scottish Government spending decisions align with its overarching Purpose of increasing sustainable economic growth and how should commitment to this objective be reflected in the draft budget 2013-14?***

1. SCVO are keen to support a shift in the public debate to making the economy (and economic growth in particular) more meaningful for people, communities and their environment, rather than simply an end in itself. Spending solely designed to increase economic growth can have seriously negative social, environmental and even economic consequences.<sup>i</sup>

2. Rather than aligning spending decisions with the purpose of achieving sustainable economic growth, we would seek to align spending decisions with outcomes that will deliver greater social, environmental and economic benefit to people. Oxfam's Humankind index would be a good place to start in this regard.<sup>ii</sup>

3. The key issue for the Budget is where and what to invest in. Stimulating economic growth for its own sake is a model that has failed. We don't think the Government has the correct balance between funding economic growth and rethinking the economy to account for job creation as well as wider social and environmental outcomes.

***The Scottish Government states in its economic strategy that “The actions of the public sector are co-ordinated to maximise their economic impact.”<sup>[2]</sup> What progress has been made in harnessing the public sector to support sustainable economic growth and how should this be reflected in the draft budget 2013-14?***

4. The public sector could, and in some cases should, be used to stimulate jobs and business growth particularly where there is market failure, but only if it is done in a manner that leads to positive outcomes for people and communities. Community based preventative approaches naturally lend themselves to stimulating local economies and wider development, and the public sector could support this in the following ways:

#### **Procurement**

5. Public procurement could be reformed to help stimulate and benefit local economies, third sector organisations and a range of social/environmental outcomes. This could include exercise of community benefit clauses targeted to tackle local issues. Glasgow 2014 has seen some success in utilising this through apprenticeships and job opportunities in the east end of Glasgow. It is the actual spending decisions of public sector agencies, totalling £9 billion, that will stimulate real change, and the Scottish Government should use all the levers at its disposal (how can we make the procurement reform bill align with the regeneration strategy for example?) to ensure change happens.

#### **Community Asset Transfer and land reform**

6. The transfer of underused buildings and assets to communities could also help stimulate community-led economic development, providing these are genuinely assets and not liabilities. Land reform too, as we have seen in many of the island communities that have benefited from the right-to-buy, could help stimulate sustainable development. The community empowerment bill, regeneration strategy and land reform review group, could help in this regard, although many communities will need additional financial support to garner the benefits.

#### **Participatory Budgeting**

7. The Budget should also look at the role of participatory budgeting as a mechanism for allocating funding, building on successful examples such as that in Govanhill.<sup>iii</sup>

## Digital empowerment

8. Public support for digital inclusion and participation is welcome, particularly investment in rural broadband. However, Government should be more ambitious in how it allocates spending to ensure the digital agenda is more firmly connected with public service reform. For example, much more should be done to ensure investment in digital infrastructure is focused on technology that helps people live at home and in their communities for longer, and in supporting people to connect with each other and services as we shift to more personalised services.

## Self-Directed Support

9. Thought also needs to be given to self-directed support given the need to stimulate personal choices to how people receive care, and allowing local solutions to thrive. Community hubs, such as Community Care Assynt, a community owned project which delivers lunch clubs, access to the internet, community transport, physical aids, healthy eating and laundry services, could potentially play a role here, providing a local anchor and source of knowledge, advice and mutual support.

10. While procurement, community asset-transfer, digital empowerment and self-directed support could all have significant economic benefit, much of the benefit from other public services will not be visible, at least in financial terms, in the short term (e.g. improving children's education will have positive impacts that will take tens of years to reap a financial reward). Similarly, some investments will result in major savings in other budget areas (e.g. investment in prisoner rehabilitation may not offer savings in the short to medium term until a new prison does not need to be built but it is likely to provide savings to health, care and employability budgets, as demand for these services is prevented). The main point is that failure to invest in effective prevention will place increasing pressure on current services and raise demand for more prisons and hospitals, putting strain on budgets and reducing the potential resources available to support alternatives. This dilemma is the central public policy and budgetary challenge of the day.

11. The primary aim of public spending is to provide or commission public services. Much of what the public and third sector does is about helping the poorest in our society and we should not lose sight of this. A preventative approach to public services, using community-based solutions, will save the taxpayer money in the long term and bring additional social and environmental benefits, while improving individuals' lives. This would seem to be a more appropriate focus for public services than one designed to maximise economic impact.

***The Scottish Government states that the aim of its economic strategy “is not only to offer greater protection to the economy during periods of economic uncertainty, but to bring about a long-term, or structural, change in Scotland’s sustainable growth rate”.<sup>[3]</sup> What spending decisions support such structural change in the long term and what spending priorities should be in the draft budget 2013-14?***

12. In recent months SCVO has been facilitating discussions amongst third sector and civil society groups about how to reconfigure our economy. These groups, each

working in different areas, share common goals and principles, including: social justice, respect for environmental limits, a preference for community based approaches, and a belief that individual wellbeing is best measured not by narrow definitions of economic progress but a wider approach based on collective prosperity.

13. Building on the work of Oxfam's HumanKind index, we believe that housing (currently facing substantial real term cuts), employability, early year's education, community justice services, and low carbon transport (including active travel and community transport) should be prioritised to promote long-term structural change.

14. We also need to look at how the money in each of these areas is spent. In housing for example, we could learn from the Scandinavian and European examples of co-housing where shared spaces promote social inclusion, mutuality and a lighter ecological impact. We also need to think about our planning system, given bad decisions can leave people isolated and increasing evidence about the importance of 'place' to mental wellbeing.<sup>iv</sup> With regards to employability, we need to take account of job supply as well as job-readiness and learn the lessons from successful projects such as Community Jobs Scotland.<sup>v</sup> Similarly with early years education and community justice services we would advocate a radical rethink learning from the best third sector examples such as Sistema's Big Noise Children's orchestra and YMCA's reducing reoffending mentoring programme.<sup>vi</sup> Finally, with regards to low carbon transport we would urge the committee to consider the benefit of small-scale active travel spending over large-scale motorway spending in terms of direct local employment and community cohesion, as well as the benefit of community transport in addressing social inclusion across all age groups.<sup>vii</sup>

15. It should be noted that we are planning further work in this area, and will be seeking to engage with the Committee around this work in the future.

***In its Scottish Spending Review 2011 and Draft Budget 2012-13 the Scottish Government states that the Finance, Employment and Sustainable Growth portfolio "contributes towards ensuring that we achieve balanced economic growth that provides the most disadvantaged in society with the opportunity to prosper. Equity, whether it be social, regional or inter-generational or a combination of these factors, is also seen as a key driver of economic growth."*[4] What progress has been made in achieving these objectives and what spending priorities should be in the draft budget 2013-14?**

16. The poverty and income inequality figures, published in June 2012, show that poverty and inequality are not being sufficiently addressed.<sup>viii</sup> Income inequality has remained static on the previous year and on 98/99.<sup>ix</sup> Relative poverty has decreased slightly, although this is explained by a fall in median income rather than the success of any policy initiative.<sup>x</sup>

17. The UK programme of welfare reform will have a major impact on poverty, housing and inequality targets. Work done by the Joseph Rowntree Foundation suggests that if the current approach of Westminster continues along with current labour market trends, the impact will be increasing levels of poverty and inequality.<sup>xi</sup>

18. As the Poverty Alliance and Child Poverty Action Group summarised in a recent briefing to MSPs in relation to the Scottish Welfare Reform Bill (now Act):

“A combination of structural reforms to the social security system alongside unprecedented cuts to the level of financial support available is impacting on households both in and out of work. By 2014/15 a total of £20billion a year will have been cut from the value of, already inadequate, benefits and tax credits, an estimated £2billion a year in Scotland alone. The bulk of this financial loss has still to come.”<sup>xii</sup>

19. A preventative approach combined with investment in immediate support for some of our most vulnerable communities will be critical here. The third sector is already at the frontline for support and advice, and many organisations are highlighting the potential impact of the welfare reform agenda on families in Scotland. Increasingly, the Scottish Government must consider how it collectively prepares for and responds to the potential impact of current benefit policy. For example, Carers Scotland highlights that once the 20% cuts to disability benefits come through, there will be wider impact on some of the Government’s economic outcomes, impact on health and other services and the focus on under-occupancy could put greater pressure on social housing. A cross portfolio review on the impact of welfare reforms and a review of budget commitments will be necessary. This review could also look at making connections across the change funds, conjoining early years/older people’s change funds to develop community based approaches to family support and enabling older people to remain at home and be as independent as possible. It should also look at the possibility of funding a wide-ranging community programme, such as that which existed in the 1980s, supporting people to help others in their local community. Such an approach would benefit local economies and community capacity - keeping money in the local area, increasing individual’s social skills and experience, and making linkages across a diverse range of ages and communities.

20. Much of the Scottish Government’s spending, including the health, care, housing and local authority budgets are a response to the high poverty and inequality levels prevalent in Scotland. In the current recession context, we cannot rely on jobs growth alone to address these challenges. The preventative spending agenda provides us with an opportunity to tackle poverty and inequality and bring spend down in the future. This must therefore be a focus of all Government spending if we are serious about preventing unsustainable future demand on public services.

***In its response to the Finance Committee’s report on the spending review 2011 the Scottish Government stated that “The National Performance Framework represents a common vision for the whole Scottish public sector and, as such, is fully integrated with our spending plans”.<sup>[5]</sup> How does the NPF impact on the spending decisions of the Scottish public sector and how should this impact be reflected in the draft budget 2013-14?***

21. SCVO was one of a number of supporters of a Friends of the Earth Scotland, WWF and Oxfam briefing in 2011, which called for the National Performance Framework to be re-worked by replacing the sustainable economic growth focus with two new headline indicators of flourishing (encompassing subjective measures of

wellbeing as well as wealth and income distribution), and environmental impact (encompassing a range of resource-use measures). We would also suggest that prevention is engrained as a goal in the NPF, measuring the extent to which public funds are being moved towards early interventions.

22. A remodelled NPF could provide a basis for more integrated policy across various Government departments. However progress against the NPF needs to be more open and transparent, being regularly reported on and scrutinised, particularly in Parliament.<sup>xiii</sup>

23. We support the Oxfam Humankind index as well as the Carnegie report 'Measuring what matters', which both demonstrate a practical way forward for a more meaningful measure of progress for people and their communities.<sup>xiv</sup>

***In its response to the Finance Committee's report on the spending review 2011 the Scottish Government stated that its broader work was "focused on ensuring that our ambitions for a decisive shift to preventative spend are realised across all areas of service delivery." [6] What progress is the Scottish Government making in realising this objective and what spending priorities should be in the draft budget 2013-14?***

24. Although the change funds were a welcome contribution towards preventative spending, we have concerns that this money is not being sufficiently spent on community-based prevention. Given the strong track record of the third sector in working with people and community-based solutions, we believe the sector could do far more to bring about the change in services that the government is seeking. Given the lack of detail in the Change Plans, it is difficult to fully assess the reality of change on the ground. As many of the voluntary organisations who have a role in shifting the balance of care have been subject to standstill budgets or budget cuts over the last few years, any gain from local Change Fund Plans will be minimal and may only help them to 'stand still' rather than expand or develop their work with older people and their families.

25. Some fundamental questions need to be asked in relation to the change funds and prevention. Change what? By how much? What does success look like? We need to develop concrete plans to ensure the sustainability of public services.

26. The concern is that without defining what preventative spending is and entails, public agencies can dress up current work, badge it as preventative and avoid changing the way in which they work. We therefore need to think about the principles behind preventative spending and how we drive real change in the way public services work.

27. Our view is that the best examples of preventative spending are those that take a community based approach. There are numerous examples of these from the third sector – such as the Comas charity Serenity Café which links people recovering from drug dependency, allowing them to create their own recovery community. The third sector is naturally well-placed to deliver these approaches – working with service users and volunteers.

27. The public sector has some success stories to tell as well. The 'Total Place' approach from various public agencies in Edinburgh, where budgets are pooled together, is an excellent example of the public sector working together on prevention. Key to the success of this project was their engagement with the community.

28. Recognition of the community solutions that the third sector can generate and its focus on building family/community capacity must be a priority in driving a more preventative focus. We would therefore support further top slicing of budgets to allow increased funding for prevention based around community-based solutions.

***The Scottish Local Authorities Economic Development Group recently stated in evidence to the Finance Committee that "Quality, sustainable employment should be the outcome of all skills and employment measures." [7] What priorities should be in draft budget 2013-14 to realise this objective?***

29. The Scottish Government's draft Youth Employment Strategy has set out the Government's goals to support Scotland's youth into employment.

30. Whilst SCVO widely supports the strategy we do have concerns regarding its training/apprentice focus. According to the strategy the largest cohort of those unemployed are directly as a result of the recession. Given normal economic conditions it is perceived that a large percentage of this cohort would be in employment.

31. SCVO recognises therefore that it is not increased training that these individuals require but an opportunity to gain work experience.

32. Community Jobs Scotland created by this Government has been successful in doing just this and has supported 40% of the participants into sustainable jobs and another 11% in to positive destinations.<sup>xv</sup>

33. Whilst a national strategy tackles youth unemployment it is also important to look at local solutions. Community Jobs Scotland has delivered jobs in all 32 local authorities through a network of over 500 organisations, and lessons need to be learnt from the success of this type of programme compared to the welfare to work programme.

34. Given the current state of the economy and the labour market (what is the point of training people if there are no jobs?) we need to look at the possibility of funding a wide-ranging community programme, such as that which existed in the 1980s, supporting people to help others in their local community. This would be a preferred solution to the course the UK Government is currently following.

***Small businesses represent 93% of the Scottish private sector [8] and are more likely to employ people with low or no qualifications than large businesses. [9] What spending priorities should be in the draft budget 2013-14 to support public-private partnership to improve the employability of and create sustainable employment opportunities for individuals experiencing high levels of multiple deprivation?***

35. We believe Government should take a more sophisticated approach to business support. Although we currently provide support for small businesses through the small business bonus scheme, we believe more stipulations could be placed on this scheme to ensure more sustainable jobs are created, working conditions are improved, or workplaces are made more environmentally friendly. Similarly with regards to the investment and favourable business conditions given to large businesses through Scottish Enterprise and support and investment such as regional selective assistance, we would urge that positive social and economic benefits are stipulated to ensure a more quid-pro-quo relationship. This is particularly important for large Scottish multi-nationals operating abroad, such as major financial institutions and energy companies.

36. Given the need for a relentless focus on tackling poverty and inequality to prevent problems in the future, we need to ensure businesses, social enterprises and charities that explicitly support social justice and resilient communities, are promoted.

## **Conclusion**

37. Given our work with people and communities the third sector has a keen and wide-ranging interest in making the economy more meaningful for people, communities and our environment. Stimulating economic growth for its own sake is a model that has failed, and we need to take a long-term, holistic approach to the economy. With squeezed public budgets, we need to make sure our spending results in multiple wins, benefitting communities and the environment, as well as creating sustainable jobs.

38. We should use the public sector to stimulate community-led sustainable development where appropriate, but must not lose sight of the need for public services to help those most in need; we need to seriously think about the impact of the UK Government's welfare reforms on Scotland and formulate a coherent response aimed at tackling poverty and inequality; we need to build on the change funds and promote community-based solutions; and we need to support organisations in all sectors that provide positive social and environmental outcomes rather than providing blanket one-size-fits-all support.

## **About us**

39. The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the third sector. There are over 45,000 voluntary organisations in Scotland involving around 137,000 paid staff and approximately 1.2 million volunteers. The sector manages an income of £4.4 billion.

41. SCVO works in partnership with the third sector in Scotland to advance our shared values and interests. We have over 1300 members who range from individuals and grassroots groups, to Scotland-wide organisations and intermediary bodies.

40. As the only inclusive representative umbrella organisation for the sector SCVO:

- has the largest Scotland-wide membership from the sector – our 1300 members include charities, community groups, social enterprises and voluntary organisations of all shapes and sizes
- our governance and membership structures are democratic and accountable - with an elected board and policy committee from the sector, we are managed by the sector, for the sector
- brings together organisations and networks connecting across the whole of Scotland
- SCVO works to support people to take voluntary action to help themselves and others, and to bring about social change. Our policy is determined by a policy committee elected by our members.<sup>xvi</sup>

Further details about SCVO can be found at [www.scvo.org.uk](http://www.scvo.org.uk).

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<sup>i</sup> See for example, Stiglitz 'The Price of Inequality' (2012) as well as Wilkinson and Pickett 'The Spirit Level' (2009)

<sup>ii</sup> <http://policy-practice.oxfam.org.uk/our-work/poverty-in-the-uk/humankind-index>

<sup>iii</sup> See the Govanhill participatory budgeting model:

[http://www.gcph.co.uk/assets/0000/3145/GCPH\\_Participatory\\_Budgeting\\_FINAL.pdf](http://www.gcph.co.uk/assets/0000/3145/GCPH_Participatory_Budgeting_FINAL.pdf)

<sup>iv</sup> See for example 'Good Places, Better Health, a New Approach to Environment and Health in Scotland', Scottish Government (2008): [www.scotland.gov.uk/Resource/Doc/254447/0075343.pdf](http://www.scotland.gov.uk/Resource/Doc/254447/0075343.pdf)

<sup>v</sup> <http://www.scvo.org.uk/training-employability/community-jobs-scotland/>

<sup>vi</sup> See <http://makeabignoise.org.uk> and <http://www.ymcascotland.org/>

<sup>vii</sup> The potential impact of welfare reform may make community transport a greater priority. For example, if 20% of those receiving disability benefit lose their benefits, their access to motability cars will be affected.

<sup>viii</sup> <http://www.scotland.gov.uk/Publications/2012/06/7976/0>

<sup>ix</sup> <http://www.scotland.gov.uk/Publications/2012/06/7976/4>

<sup>x</sup> <http://www.scotland.gov.uk/Publications/2012/06/7976/1>

<sup>xi</sup> <http://www.jrf.org.uk/publications/poverty-inequality-employment-structure>

<sup>xii</sup> Parliamentary Briefing from CPAG in Scotland and the Poverty Alliance – Stage 3 Debate Welfare Reform, (Further Provision) (Scotland) Bill (June 2012)

<sup>xiii</sup> <http://www.foe-scotland.org.uk/sites/files/NPF%20briefing%2009-11-11.pdf>

<sup>xiv</sup> <http://www.carnegieuktrust.org.uk/publications/2011/more-than-gdp--measuring-what-matters>

<sup>xv</sup> <http://www.scvo.org.uk/training-employability/community-jobs-scotland/>

<sup>xvi</sup> SCVO's Policy Committee has 24 members elected by SCVO's member organisations who then co-opt up to eight more members primarily to reflect fields of interest which are not otherwise represented. It also includes two ex officio members, the SCVO Convener and Vice Convener.