

# assessing the SNP's impact on the public sector

The SNP is half way through its first term of office governing Scotland. What effect has it had on Scotland's public sector? David Scott investigates.

■ **Two years ago, the Scottish National Party caused a political sensation when it ousted the Labour and Liberal Democrat coalition administration which had been in power at Holyrood in Edinburgh since devolution in 1999.**

It was an event that has dramatically changed Scottish politics. Opinion polls have shown Alex Salmond to be the most popular First Minister since the Scottish Parliament was established and surveys towards the end of April showed that the SNP has increased its lead over Labour, its main political rival.

## questions surrounding momentum

As the party enters the second half of its period in office – it was elected on 3 May 2007 – questions are now being asked about whether it can maintain the momentum it has built since its historic victory.

As a minority administration it has faced the formidable problem of needing the support of other parties if it is to govern effectively. The SNP holds just 47 of the 129 seats in the Scottish Parliament. So far, Salmond and his ministers have managed to confound their critics over the way they have been able to implement key policies.

Council tax has been frozen across Scotland for the second successive year despite what seemed to be a virtually impossible task. It was a policy that could not be imposed on individual councils as it required their agreement. But Finance Secretary John Swinney succeeded, with the help of a £70m financial incentive, to persuade councils of all

political colours to go along with the policy.

Business rates have been cut, the graduate endowment which required students to repay fees after graduating has been abolished, road bridge tolls no longer exist, the first stage of plans to end prescription charges has been implemented, funding has been provided for an extra 1,000 police officers and ambitious climate change legislation has been introduced.

## flagship policies

The SNP claims it has already 'met or exceeded' 46 of its manifesto commitments. However, the party has run into trouble over two 'flagship' policies – a local income tax (LIT) and the Scottish Futures Trust (SFT), the body it originally intended as one that would implement an alternative to the existing 'expensive and wasteful' PFI.

Earlier this year, LIT was shelved after Swinney announced that it had become evident there was insufficient backing from other parties. He gave as a further reason the likely impact of a £500m reduction he claims is being made in the Westminster-determined block grant for Scotland.

However, the Finance Secretary gave a pledge that the SNP will fight the next election in 2011 "to win a parliamentary majority that backs the abolition of the unfair council tax".

Swinney will come under pressure to make some significant adjustments to his plans if he is to convince public finance officials and others, like the business sector, that LIT would work. To win the backing of the Liberal Democrats, which could be crucial, councils

would need to be given the right to set their own tax rate. The Lib Dems have been strongly opposed to the SNP plans for a centrally set LIT of 3p in the pound.

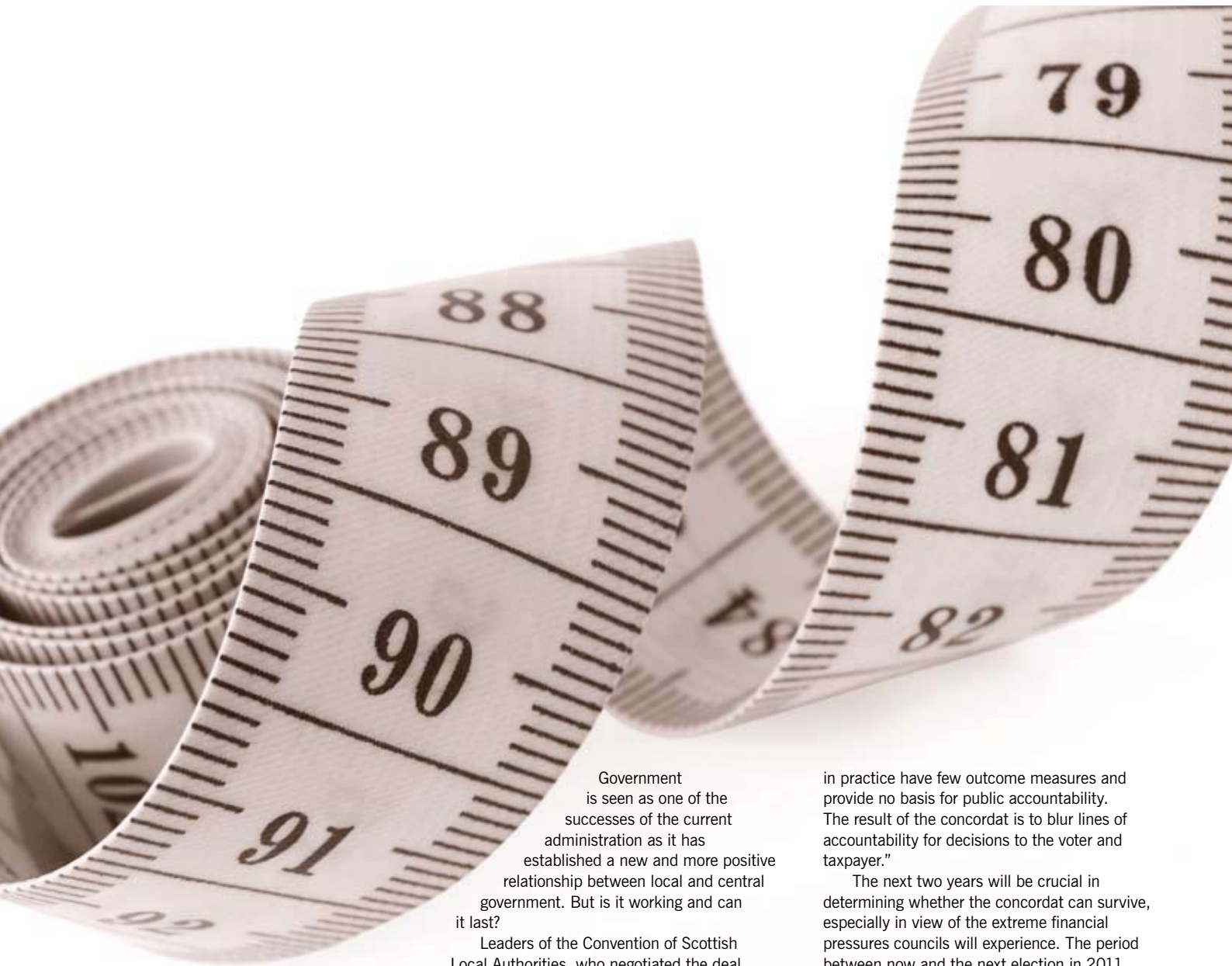
Meanwhile, the Scottish Government wants councils to maintain a freeze on council tax for the remaining two years of the current administration. In view of the pressure on council budgets, that objective is one that may be difficult to achieve.

## PFI/PPP problems

While LIT has proved to be one of the biggest headaches for the SNP administration, its proposals to abolish PFI/PPP schemes have also run into serious difficulties. Prior to the election, the party's plans were to replace PFI with a scheme of Scottish Government public sector bonds for the funding of projects like schools, hospitals and roads.

Following the election, the SNP had to acknowledge it did not have the constitutional powers, under the existing devolved arrangements, to issue public sector bonds. Instead, it has been exploring the possibility of using local authority bonds for the financing of public sector projects. A number of council finance officers have voiced doubts about whether the scheme would bring any benefits and have warned that it could be costly to implement.

The main vehicle for delivering finance for public sector projects - the SFT – has now been established. But it has not yet produced results and it is claimed the uncertainty is



causing public sector projects like new schools and hospitals to be delayed at a time of much needed public investment.

Despite the SNP's opposition to PFI/PPP schemes, the party now appears to accept that this type of funding cannot be completely abandoned. The SFT is expected to promote the NDP (non-profit distribution principles) method of funding. According to Labour finance spokesman Andy Kerr, the SFT is "nothing more than PPP by any other name".

The Scottish Government continues to insist that the SFT will allow for 'expertise, aggregation and purchasing power' which will ensure that funding schemes are more cost-efficient and less costly to the taxpayer. And it rejects suggestions the scheme has not been properly thought out or is delaying much needed capital projects.

#### historic concordat

The 'historic' concordat that was struck between council leaders and the Scottish

Government is seen as one of the successes of the current administration as it has established a new and more positive relationship between local and central government. But is it working and can it last?

Leaders of the Convention of Scottish Local Authorities, who negotiated the deal on behalf of councils, believe the agreement has freed councils from the shackles of ring fencing and other centralised restrictions and has given councils more freedom to decide their own priorities. They say innovations like the introduction of Single Outcome Agreements – which require councils to 'balance' local and national priorities – will be to the benefit of local communities.

But a leading commentator on public finance, Professor Arthur Midwinter, visiting professor at the Institute of Public Sector Accounting Research at Edinburgh University, is convinced the concordat was a 'bad financial deal' for local government.

He says: "They [COSLA leaders] signed up to deliver an expensive range of spending commitments for which appropriate funding was not made available in the grant settlement – there was a shortage of £413m. Councils gave up the right to set the council tax, the most important single mechanism of accountability, and have now engaged in delivering Single Outcome Agreements which

in practice have few outcome measures and provide no basis for public accountability. The result of the concordat is to blur lines of accountability for decisions to the voter and taxpayer."

The next two years will be crucial in determining whether the concordat can survive, especially in view of the extreme financial pressures councils will experience. The period between now and the next election in 2011 will also be vital regarding one of the biggest questions of all: should Scotland become a totally independent nation?

#### independence

The SNP is committed to introducing a referendum on independence. However, there seems little chance of a referendum bill being approved in the Parliament as it is opposed by the other parties – Labour, the Liberal Democrats and the Conservatives. Like LIT, the referendum looks like becoming a casualty of a lack of political consensus unless Salmond can come up with a compromise.

Despite the popularity of the SNP administration, opinion polls suggest there is no majority support for independence. The Scottish Government has achieved more than might have seemed possible during its two years in office, but its biggest test is yet to come. ■

David Scott is former Local Government Editor of *The Scotsman*