UNISON Scotland

Public Service FUTURES

Summer 2013 Issue: 6

For people who care about public services

Tax the fat cats

Everyone in Scotland benefits from the existence of high quality public service. We all use them so often we don't even notice half the time. Maintaining investment in public services is essential for service users and to create and sustain economic recovery. Far from crowding out the private sector, the public sector supports business. The market has consistently failed to deliver the infrastructure required for a successful economy.

To build a fairer and more sustainable society we need fair taxation and a crackdown on tax avoidance. We all need to pay our fair share. Taxing the super rich makes society fairer by both providing resources to pay for services and by reducing the wealth inequalities that cause so much harm.

Most of the tax debate focuses on income taxes and council tax but the very rich don't live on wages. Their wealth, like dividends and profits from business, is taxed at much lower rates than PAYE. Wealth taxes are also easier to avoid. Workers therefore pay higher rates of tax than the rich.

The IPPR has produced a new report laying out a new progressive tax regime for the UK which both raises sufficient money to support the delivery of high quality public services and makes the system more progressive by ensuring that the wealthy pay their fair share.

If your wages are £20,000 you pay tax of 20% plus National Insurance (NI) at 25.8% a total of 45.8%. Tax on income from dividends is only 10% and there is no NI. Profits of the same amount from a small business are taxed at 20% but again no NI. If your wages are £42,000 then you pay tax at 40% and NI at 15.8% total 55.8%, £42,000 income from dividends is taxed at 32%. Taxes on business in the UK are already amongst the lowest of any developed economy. VAT has no regard to your income at all. Changing the tax system to target wealth is a fair and effective route to pay for public services, reduce the deficit, reduce inequality and boost the economy by giving money to ordinary workers.

Key points in the IPPR proposal:

- Corporation Tax back to 27.5 per cent, along with changes to the range of allowance and a crackdown on avoidance'
- A new wealth tax component to corporation tax based on 'net retained capital',
- A new general financial transactions tax,
- A wealth tax levied on all holders of wealth, including both individual and corporate entities, with total net wealth over £150,000 at a progressive rate of 0.5–1.5 per cent per annum.
- Inheritance tax should be overhauled to cut down avoidance.

These changes would support reductions on wages taxes and increase funding for services. The paper gives a good overview of what's wrong with our current tax system and offers some interesting ideas for reform.

Three things to do today:

- Learn about the impact of welfare changes on local government
- Check out middle class advantage
- Ask a friend to join

CoSLA Vision

CoSLA has published its vision for the future of local government in Scotland: **Local Matters**. In it they claim "Our vision is bold. It demands change if it is to flourish. It calls for an unambiguous place for local government in the governance of Scotland and as a key partner with Scottish Government in the democracy of Scotland. In fact, our proposals could amount to the largest de-centralisation of power ever undertaken."

CoSLA suggests these four key steps as the route forward :

- Empower local democracy
- Integrate don't centralise
- Focus on outcomes not inputs
- Defend local choice and accountability

UNISON's Local Government Committee is also looking at how local government should meet the serious challenges it faces. Issues like funding, centralisation versus localism and previous experiences of local government reform were discussed at the recent policy forum. Committee members will be supporting further discussion in branches to more fully develop our vision in the coming year. The **UNISON Scotland** website contains papers to support this debate and links to other organisations who are leading the debate. Email us at k.sillars@unison.co.uk for more information

NEWSLETTER

Bedroom Tax Blues

The Improvement Service has produced a new guide on the impact of welfare reform on local government. The guide makes it clear that the implications are far reaching. The paper divides into three main sections: new operational and service requirements; service implications and consequences; and wider consequences for local communities.

Operational/service requirements

Local authorities now need to:

- Establish new systems and processes to operate Council Tax Reductions.
- Establish new systems to administer the 'Scottish Welfare Fund' for Community Care grants and Crisis grants.
- Deal with the implications for staff in Housing Benefit roles to be ready for changes in October 2014.
- Identify requirements to replace current eligibility rules and systems for local authority administered or managed "passported benefits" from April 2013, and more significantly following the introduction of Universal Credit in October 2013.

Service implications

While the initial impact will be in housing departments and those dealing with the statutory requirements regarding people who are homeless or at risk of becoming so other key services will be affected .

- Welfare Reform requires councils to:
- Plan how to deal with increases in non payment of rent.
- Look again at their housing strategy and future housing allocation policies following the reforms.
- Assess the potential impact of welfare reforms on the future applications for Discretionary Housing Payments.
- Consider the potential impact on homelessness presentations, and associated policies and procedures.
- Consider the potential impact on support services of reduced contact with benefit recipients through the migration of Housing Benefit to Universal Credit.
- Consider the impact of additional rent collection activity as a consequence of direct payments via Universal Credit.
- Identify the potential scale of internal authority migration required due to housing benefit changes, under occupancy rules and the potential implications for other key services including education provision.

Changes will impact on services, staff and communities

Universal Credit/Personal Independence Payments/Social Fund changes

- Identify likely additional demands on social work services and the whole range of their clients.
- Identify a strategy for dealing with changes and implications for staffing including staff numbers, training and development and the impact across all council services.

Impact on communities

- Review the current provision of information, money advice, financial inclusion and advocacy services, and their capacity to meet the new demands.
- Review the interaction between the new Scottish Welfare Fund and other local services to provide users of the fund with better support and increased access services.
- Review availability and access to bank accounts and access to the IT needed for "digital first" for benefits
- Consider the implications of welfare reform on employability services.
- Review anti-poverty strategies and Single Outcome Agreements

There will also be an impact on communities from the loss of spending power in the local economy. It is clear that the changes will impact heavily on the workload of members in a range of posts in local government and the voluntary sector. This will bring added stress, as will dealing with clients who are angry/distressed by the impact of these changes. Employers will need to ensure that risk assessments are undertaken and adequate protection is put in place to protect staff from harm.

Quick Cash

The benefits of preventative spending are often seen as long term: investing in children's health saving the NHS money when they are over 50. Savings can be realised very quickly though. For example, preventing a family going into bed and breakfast accommodation by providing a permanent home saves cash straight away. Edinburgh Council spent £30m on temporary accommodation this year. Summer play schemes reduce anti social behaviour so spending in June saves money straight away.

The Triple Dividend Thriving Lives Costing less Contributing more by the Early Years Taskforce gives some examples of quick cashable savings:

Mentoring schemes: Expelling a child from school costs £63,000. An adult volunteer spending 2-3 hours a week with child at risk of being excluded costs £4000. 98% of children improved their behaviour and 51% of those children improved so much that they were no longer deemed at risk.

Reading Recovery Programme: daily 30 minute one to one lessons over 20 weeks with a trained literacy teacher save between £11 and £17 for every pound spent.

The report calls for a refocus on prevention and improved monitoring of savings to improve evaluation of projects. Currently evaluation of projects is not consistent making it harder to evaluate savings and get funding for future projects.

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Fair Play

UNISON is a supporter of bottom up reform of public services. This ensures that services users and staff re fully involved in the design of services. This means more than just a yes or no to proposals, its about framing the problems as well as the solutions.

A key reason for democratic oversight of service provision is to ensure that all voices not just the most powerful are heard in the process. A team from Glasgow University looked at the question: Do the middle classes have advantages in public services proviso and if so how? Their report makes interesting reading for those delivering public services. The key findings are There is evidence that middle class groups are advantaged in their use of local services although there is limited evidence on the scale of this advantage.

The advantage is secured by various means, by deliberate actions and strategies but also as an unintended consequence of the actions and attitudes of service providers. Advantage can also be gained as a product of broader policy and practice.

Schooling, health and neighbourhood planning are key areas which give real advantages to middle class service users. These users have the education, networks, skills and resources which are useful in a practical sense but also that correspond to the value set of the staff with power and influence within the service provider. This creates the potential for an alliance to develop which disadvantages less affluent service users.

Recent work at Joseph Rowntree Foundation shows that people in poverty are not able to fully engage in their society. Democratic oversight of public services is essential to ensuring that service provision does not respond only to the demands of the already advantaged.

Outsourcing agreement

National Council for Voluntary Organisations has co-produced guidelines, with SERCO, to support joint working to win contracts to deliver public services.

Increasingly the use of contracts and subcontracts rather than direct delivery has seen many third sector organisations sign up to deliver services alongside bigger private companies. Some third sector bodies have found these partnerships problematic. The issues appear to be linked with those contracts which operate a prime contractor and subcontractor model. NCVO and SERCO have now drawn up guidelines for future joint bids/projects.

Earlier this year the Public Accounts Committee report on the Work Programme found evidence that the prime contractor "creamed off" the easiest people to find work for and "parked" the more challenging clients with smaller third sector organisations. This meant the main contractors were able to make money on the contracts when subcontractors could not. There is clear evidence that people don't like privatisation but are much less hostile to third sector delivery of public services. So there are concerns that charities are included in bids as "bid candy" to win the contract rather than as a genuine delivery partner.

The new code claims to be a guide to best practice in selecting partners and managing the relationship between them, provide principles for consortia relationships and build long term partnerships "potentially spanning multiple opportunities and sectors"

There are also concerns that charities are included as "bid candy" to win the contract

The voluntary sector in Scotland is a growing provider of services particularly in the care sector. UNISON believes that, while there is a role for real charities in the delivery of services that role is not as a cheap alternative or as cover for private sector bids.

The Southern Cross care homes crisis and the recent collapse of JB Education leaving thousands of Swedish children without a school show clearly that the private sector can fail dramatically. Money is siphoned off in profits and the public sector has to pay up again when it all goes wrong.

NEWSLETTER

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Our Friends in the North

The recent images of rioting on Sweden's streets contrasts with the general discussion in Scotland about Nordic countries which focus on their social cohesion, economic success and comfort with relatively high levels of taxation. The systems in the Nordic countries have recently been highlighted as models for increased democratic control. People have been happy to pay relatively high taxes in return for the high quality of the services, that services are responsive to local demand and maintaining equity in both outcomes and provision. Decentralisation of their governments has recently been the subject of much praise. A recent LSE blog suggests that their systems are becoming more centralised as their policy makers look here for ideas for reform

While nowhere near as centralised as Scotland yet, there has been a lot of change. Denmark and Norway restructured their health systems moving from an elected county council system to a regional level. This removed local tax raising powers leaving the regions funded by central government. Municipal authorities have also taken a bigger role in delivering long-term care and prevention services. Municipalities have to pay towards healthcare if residents are hospitalised. This make it more cost effective to provide their own care services and invest in preventative measures.

A new financial stability law in Denmark means that sanctions are now imposed on regions and municipalities that do not keep within budget. In Finland and Sweden power over healthcare is also being pulled into the hands of the central government. In Sweden the government now has more control over the 21 county councils. One of their aims is to centralise medical specialism. They are also moving towards “league tables” for clinical services. A 2007 Swedish commission recommended a reduction from 21 to 8 delivery bodies for health services. Efforts are being made to ”encourage” voluntary mergers rather than compulsory reorganisation which will sound very familiar to anyone involved in Scotland’s colleges. It seems that while we look to the Nordic countries for ideas they are also looking to us and not necessarily picking the ideas that we in UNISON like best.

Fair funding for communities

Both Third Sector and The Economist have written recently on the growth of crowd funding for community projects. Crowd funding is an internet based route of appealing for funds used by businesses, filmmakers, and musicians to appeal for investors in return for shares or special editions, tickets to events etc. Recently charities have been using some of the sites as fundraising tools, allowing donors to choose which of the charity’s projects they would like to fund.

Donors paying for civic enhancements is, as both point out, an old idea given new impetus by the internet. The Statue of Liberty was funded by 120,000 individuals in a pre internet whip round. As cuts bite communities are looking to crowd sourcing websites to raise money for community projects. In Rotterdam a new pedestrian walkway was funded by donors giving €25 in return for the right to put a message on one of the planks. In Frome in Somerset a public toilet was converted into mini art gallery. Edinburgh also has crowd funded art gallery that was once a phone box

Deloitte estimates that about £500million will be given freely via crowd funding schemes this year. While this may be an interesting option to boost charitable income, it is not likely to be the solution to funding the delivery of public services.

While advocates of crowd funding claim it as a route to community empowerment others are more sceptical. As many charities know people are keener to fund some things more than others, a new building is attractive but paying for a janitor to keep it open is less popular.

Many of the communities most in need of investment don't have the resources to crowd fund including access to the IT kit necessary. Using it to decide a section of local government funding as suggested in The Economist risks the best connected and educated groups channelling funds into their already well resourced areas leaving even less for those who need it most. Progressive taxation and democratic control of spending is the fairest and most efficient way to fund services

If you would like more information on any of the articles in this newsletter or have information you would like to share in the next issue please contact: Kay Sillars in the Bargaining and Campaigns team on 0141 342 2819

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