

Levack at Large
Project Scotland – November 2011

Scottish Parliament committees have been gathering evidence as part of their strategic scrutiny of the Scottish Government's 2011 spending review. This year, the simple fact of an overall SNP majority will probably remove a lot of the drama we've seen in recent years as the political parties jostled for position to adopt the Scottish budget. But despite the less dramatic Parliamentary arithmetic, the issues at stake this year are no less momentous.

When John Swinney stood up to present his budget proposals to Parliament on the 21st September, much was made of plans to re-prioritise spending from the resources heading of the budget to bolster funding for capital projects. As a consequence, despite cuts to Scotland's capital budget initially projected at 38% between 2011-12 and 2014-15, the Scottish Government's *Schools for the Future* programme emerges more or less unscathed – and construction of the new Forth Crossing will go ahead as planned.

But elsewhere, the signs for the construction industry are less encouraging. Scotland's affordable housing budget is set to fall by 30% (a cumulative cut of £330 million over the next three years), whilst funding for construction projects in the health sector will be cut by more than half.

In many areas, the new emphasis is on achieving more with less through a range of supposedly new and innovative funding models. The theory sounds great. But in the relentless drive to cut costs, there is a real risk that many of the principal benefits of capital investment are lost – such as building suitably high quality infrastructure, for instance. Or how about supporting and creating local opportunities for employment and skills development in our industry?

These goals should be hard wired into the process for awarding public contracts. But in recent times, we have seen too many examples where they have been sacrificed in favour of cutting costs. I could recite a long list of building firms that have contacted the SBF genuinely bewildered by recent procurement decisions which seem to fly in the face of simple common sense.

In this context, in response to the spending review proposals, SBF's first plea to MSPs has been to look again at other ways of freeing up additional funds to reinvest in the capital budget. In particular, with record numbers of Scots on housing waiting lists, with the Scottish population apparently continuing to rise and the private housebuilding sector still in the doldrums, we should be investing more public money – not less – to build new homes. And if we are to have any chance of meeting the carbon reduction targets Government is now signed up to, we need to invest a great deal more in retrofitting existing homes to make them more energy efficient.

We've argued that the urgency of these priorities is such that we need to reassess certain other priorities – the new Forth Crossing being an ideal case in point. Not that we're arguing for a minute that

the project should be abandoned. But the Scottish Government has it within its power to review the timetable for its construction and the mechanism for funding it.

It is unfortunate that Scottish ministers have chosen to ignore the recommendation from the independent budget review they themselves commissioned from Crawford Beveridge in favour of restructuring Scottish Water. This would free up millions of pounds in Government loans to that organisation that could be reinvested to help shore up public funding for housing and health projects.

There are undoubtedly challenges ahead. But there are equally solutions available which we are pressing the Scottish Parliament and Scottish Government to pursue. In the end, by finding ways to protect key categories of capital investment from the cuts, we can help stem the lost capacity, jobs and skills we have witnessed from the construction industry in recent months – and build a longer term legacy of the key infrastructure our economy needs for future growth.