

Public SpENDING

on children in Scotland

Written by Tom Sefton, London School of Economics

Contents

Aims and Objectives	2
Background	3
Approach.....	4
Overall Spending	5
Education	10
Social Work.....	18
Health.....	24
Social Security	30
Summary.....	34





Aims and Objectives

Save the Children UK (Scotland Programme) commissioned this report to provide information on trends in government spending on children since devolution in Scotland and establish a base line against which to assess future trends in public expenditure and budget allocations. This research is part of a larger programme of work that is designed to influence policy and service development at national and local levels and help inform Save the Children's programme development in the area of child poverty.

The specific objectives of the research are:

- to review government spending in Scotland since 1999 on key areas of children's services that are devolved including education, health, and social work;
- to review recent changes in social security expenditure in relation to children living in Scotland;
- to explore local variation in expenditure on children between the least and most deprived areas, giving special attention to spending on schools and children's social work;
- to provide, where possible, comparisons with the rest of the UK where comparable data is available;
- to identify any difficulties in assessing public expenditure on children living in Scotland and make recommendations as to how this could be addressed



Background

Following devolution in 1999, the Scottish Parliament has power over all issues that are not defined in the legislation as reserved to Westminster. Areas retained by Westminster include defence and national security, foreign affairs, immigration, social security and taxation (except for some tax-modifying powers in Scotland, as yet unused¹). All other areas are devolved to the Scottish Parliament, including:

- Education and training
- Health
- Social work
- Housing
- Local government
- Economic Development
- Transport (excluding railways and transport safety)
- Law and home affairs
- Environment and planning
- Agriculture, forestry and fishing
- Culture and sport

The Scottish Executive is the devolved government of Scotland, which is accountable to the Scottish Parliament and responsible for day-to-day administration and implementation of devolved policies. Each year, the Scottish Executive receives a block grant from Westminster to finance its and the Parliament's activities. This was equal to just over £20 billion in 2004/05. The Scottish Parliament decides how this money is to be allocated between local authorities, health authorities and other bodies, who in turn fund schools, hospitals and other service providers, as well as spending part of the central budget directly on services. It also sets the policy environment, which guides spending priorities within Scotland and ensures that service providers are ultimately accountable to government. Local authorities have additional sources of funding, including local taxation, which they use to supplement the grants they receive from the Executive.

Public expenditure totals for the UK as a whole are agreed as part of the three-yearly Comprehensive Spending Reviews (CSRs), involving negotiations between HM Treasury and other government departments. The devolved administrations' share of this total is largely determined by the Barnett Formula, which allocates a proportion of every increase in public spending in England, to Scotland, Wales and Northern Ireland². The Formula, which is a continuation of long-standing conventions guiding funding prior to devolution, currently results in Scotland receiving around 20% more in public spending per head than in England in 2003/04.

Whilst the overall level of funding is determined by the CSR financial settlement over which the devolved administrations have little control, the Scottish Parliament is under no obligation to split their spending on health, education, and other services in the same proportions as in England. This gives the Scottish Parliament an opportunity to provide a different 'basket' of public goods and services than in England (or the other devolved administrations) in order to reflect more closely their priorities and the needs of the Scottish population. Over its first five years, the Parliament has used its powers to introduce a number of policies that deviate from those in England and Wales, including the abolition of tuition fees for students and the provision of free personal care for all older people. One of the aims of this report is to examine how these and other post-devolution changes in policy have affected the overall balance of spending on children in Scotland.

¹ The Scottish Parliament has the power to increase or decrease the basic rate of income tax set by the UK Parliament by up to three pence in the pound, but has not used this power to date.

² The ratio allocated to each of the devolved administrations is based on the proportion of each country's population to that of England.



Approach

Most of the analysis in this report is based on statistics published by the Scottish Executive and HM Treasury on levels and trends in public expenditure in Scotland and the rest of the UK. In addition, data from the 2003/04 Family Resources Survey, a large-scale representative survey of households in the UK, is used to estimate the value of social security benefits and tax credits received by different types of household and by income group.

Wherever possible, comparisons are made between spending on different age groups, between countries, and over time. How much, for example, is spent on children's services relative to other client groups? How much does Scotland spend on health care, education, and social services compared with England and Wales? Has the amount or share of public expenditure on children been rising or falling since devolution in 1999?

Finally, we use data on spending by local authorities or NHS Boards to examine local variations in spending on individual services. In the absence of individual-level data on people's use of public services, we look at differences in spending levels on schools and other services in the least and most deprived authorities as an indication of the extent to which spending is skewed towards the poorest children, whilst recognising that many children who live in deprived areas are not poor and that many of the poorest children do not live in the most deprived areas.

In forming a judgment about public expenditure on children in Scotland, it is useful to make 'benchmark' comparisons with spending on children in other parts of the UK and between different areas within Scotland. However, there is a danger of reading too much into these sorts of comparisons without being aware of why some of these differences may occur, including local/regional differences in pay levels, diseconomies of scale in more rural areas, and differences in efficiency³. In addition, differences in spending levels may be justified by the relative needs of children in different areas. For all these reasons, we need to be careful in making quick judgements based on straight comparisons of spending levels. The statistics presented in this report should be used to raise questions and seek explanations for any differences that stand out, some of which may indeed be found to reflect to genuine differences in the level and quality of service provision.

Inevitably, there are some gaps in our analysis, because the necessary information is not published or is not collected in a consistent way over time. Based on past experience of carrying out similar analyses of public spending in England and Wales, published statistics on Scotland, particularly financial data, are less accessible, making this task significantly harder than would otherwise have been the case and, in some cases, restricting the analysis that was feasible within the timetable for this project. The statistics link on the Scottish Executive's website is, for example, much less user-friendly than the equivalent link on the Welsh Assembly's website and the websites operated by the main government departments in England. Even basic information, for example a breakdown of education expenditure by sector, is difficult to obtain without knowing in advance the title of the relevant publication.

³ Higher spending per child on a particular service may mean that service is being provided less efficiently, not necessarily that a better service is being provided.



Overall Spending

According to the Treasury's most recent analysis of public expenditure, total identifiable expenditure in Scotland was just over £37 billion in 2003/04, including spending areas that are not devolved to the Scottish Parliament. Table 1 shows how this was broken down by area of spending and by government body.

Table 1: Breakdown of identifiable expenditure in Scotland by government body, 2003/04 (in 2003/04 prices)

	Total spend (£m)				As % of total		
	Scot Exec ¹	Local Aut	UK Dept	Total	Scot Exec	Local Aut	UK Dept
Social protection ^{2,3}	433	3156	10947	14536	3%	22%	75%
Health	7340	-	24	7364	100%	-	<0.5%
Education and training	1746	3818	11	5575	31%	68%	<0.5%
Public order and safety	718	1069	34	1821	39%	59%	2%
Transport	766	683	276	1725	44%	40%	16%
Environment protection	511	448	152	1111	46%	40%	14%
Recreation, culture, and religion	171	595	154	920	19%	65%	17%
Employment policies	509	-	404	913	56%	-	44%
Housing and community services	627	279	-	906	69%	31%	-
General public services	437	366	35	838	52%	44%	4%
Agriculture, fisheries, food and forestry	728	-	6	734	99%	-	1%
Enterprise and economic development	307	89	154	550	56%	16%	28%
Science and technology	9	-	152	161	6%	-	94%
Total	14299	10505	12349	37153	38%	28%	33%
Total (excluding social protection²)	13866	7349	1402	22617	61%	32%	6%

1. Includes a small amount of expenditure by the Scotland Office, which is now part of the Department for Constitutional Affairs.

2. Includes social security and social work services

3. Policy responsibility for most of the social protection budget does not lie with the devolved administrations.

Source: Based on Table 8.17 HM Treasury's Public Expenditure Statistical Analyses 2005.

Of the devolved areas of spending, covering expenditure by the Scottish Executive and Scottish local authorities, the largest are health, education and training, and social work (included within social protection). Together, these three spending areas comprise around two thirds of the devolved administration's total expenditure, excluding the non-devolved areas of responsibility. Whilst other spending areas, such as transport and the environment account for a significant share of the total budget, it is not generally meaningful or feasible to apportion the amounts spent on children, because many of these services are provided for the benefit of the public at large, rather than individual clients. Nonetheless, spending decisions in these areas may have important knock-on effects on the resources available to spend on services specifically aimed at children.

Around a third of total (identifiable) public expenditure in Scotland total is the responsibility of UK Departments. By far the largest component of this is the social security budget (£10.9 billion in 2003/04). This is not a devolved area of policy, but is nevertheless of key importance in the context of this report because of the size of the budget and its central role in helping to tackle poverty and social exclusion among families with children. Whilst social security policies are common across the UK, the balance of spending on children and other groups may vary between Scotland and the other UK territories because of differences in the demographic composition and relative needs of their respective populations, which determines people's entitlement to income-related and other needs-related benefits.

Table 2 shows total spending per head in Scotland, England and Wales by spending area, using figures from HM Treasury's Public Expenditure Statistical Analyses, which provides the most consistent basis for comparing expenditure totals across different parts of the UK. In the latest year, 2004/05, Scotland spent an average of £7,600 per person on all services, which is around 22% higher than in England and 6% higher than in Wales. The spending differentials are even higher (25% and 11%, respectively) if we exclude social protection from this calculation on the basis that this is largely a non-devolved area of responsibility.

Table 2: Identifiable Expenditure by Country, 2004/05 (in 2003/04 prices)

	Spending per head (£s)			Index (UK=100)			As % of total spending		
	Sco	Eng	Wal	Sco	Eng	Wal	Sco	Eng	Wal
Social protection ¹	2972	2549	2991	113	97	114	-	-	-
Health	1533	1323	1394	114	98	103	32.9%	35.6%	33.3%
Education and training	1156	1065	1086	107	98	100	24.8%	28.7%	26.0%
Public order and safety	381	387	391	96	97	99	8.2%	10.4%	9.4%
Transport	379	291	240	129	99	81	8.1%	7.8%	5.7%
Environment protection	268	98	118	227	83	100	5.8%	2.6%	2.8%
Recreation, culture, and religion	184	106	180	160	92	157	4.0%	2.9%	4.3%
General public services	171	88	186	165	85	179	3.7%	2.4%	4.5%
Housing and community services	165	111	120	138	93	100	3.5%	3.0%	2.9%
Employment policies	148	45	51	276	84	95	3.2%	1.2%	1.2%
Agriculture, fisheries, food and forestry	141	77	115	156	85	128	3.0%	2.1%	2.8%
Enterprise and economic development	100	96	283	92	89	261	2.1%	2.6%	6.8%
Science and technology	35	28	15	129	102	56	0.8%	0.7%	0.4%
Total	7635	6266	7171	118	97	111	-	-	-
Total (excluding social protection²)	4663	3717	4180	121	96	108	100%	100%	100%

1. Includes social security and social work.

2. Policy responsibility for most of the social protection budget does not lie with the devolved administrations.

Source: HM Treasury's Public Expenditure Statistical Analyses

The balance of spending between services also varies between countries. Scotland spends about the same amount per head on public order and safety as in England, but more than three times as much per head on employment policies. In the context of this report, most noteworthy is the relatively low share of total spending allocated to education and training compared with the rest of the UK. Spending on this area comprises 28.7% of total public expenditure in England (excluding social protection) but only 24.8% of the total in Scotland, though spending per head is still higher in Scotland than in England. Health spending also accounts for a relatively low share of public expenditure in Scotland, whilst spending on other services, such as environment protection, housing, recreation, and general public services comprises a relatively high share of the Scottish budget.

The next Table shows trends in public spending in Scotland, using the same source as in the previous Table. Spending in the latest year, 2004/05, is compared with spending in 1999/00, which is taken as the base year for considering the effects of devolution. All figures are presented in 2003/04 prices, adjusted for price inflation. Between 1999/00 and 2004/05, overall spending in Scotland grew by nearly 30% in real terms. Relative to the rest of the UK, overall spending per head has remained broadly constant if social protection is included, but has fallen marginally if social protection is excluded, presumably due to the mild element of convergence built into the Barnett formula.

Table 3: Trends in Public Expenditure in Scotland, 1999/00-2004/05

(in 2003/04 prices)	Spending per head (£s)			Index (UK=100)			As % of total spending		
	1999-00	2004-05	% change	1999-00	2001-02	2004-05	1999-00	2001-02	2004-05
Social protection ¹	2435	2972	22%	108	112	113	-	-	-
Health	1101	1533	39%	118	112	114	31.4%	30.2%	32.9%
Education and training	941	1156	23%	118	116	107	26.9%	26.8%	24.8%
Public order and safety	305	381	25%	106	103	96	8.7%	8.6%	8.2%
Transport	185	379	105%	112	105	129	5.3%	5.2%	8.1%
Environment protection	191	268	41%	201	235	227	5.5%	6.0%	5.8%
Recreation, culture, and religion	157	184	17%	140	148	160	4.5%	4.0%	4.0%
General public services	125	171	37%	154	172	165	3.6%	3.7%	3.7%
Housing and community services	100	165	65%	143	200	138	2.9%	5.0%	3.5%
Employment policies	163	148	-9%	270	256	276	4.7%	3.9%	3.2%
Agriculture, fisheries, food and forestry	123	141	15%	150	117	156	3.5%	3.4%	3.0%
Enterprise and economic development	96	100	4%	117	129	92	2.7%	2.9%	2.1%
Science and technology	15	35	137%	104	105	129	0.4%	0.5%	0.8%
Total	5936	7635	29%	118	119	118	-	-	-
Total (excluding social protection²)	3501	4663	33%	126	125	121	100%	100%	100%

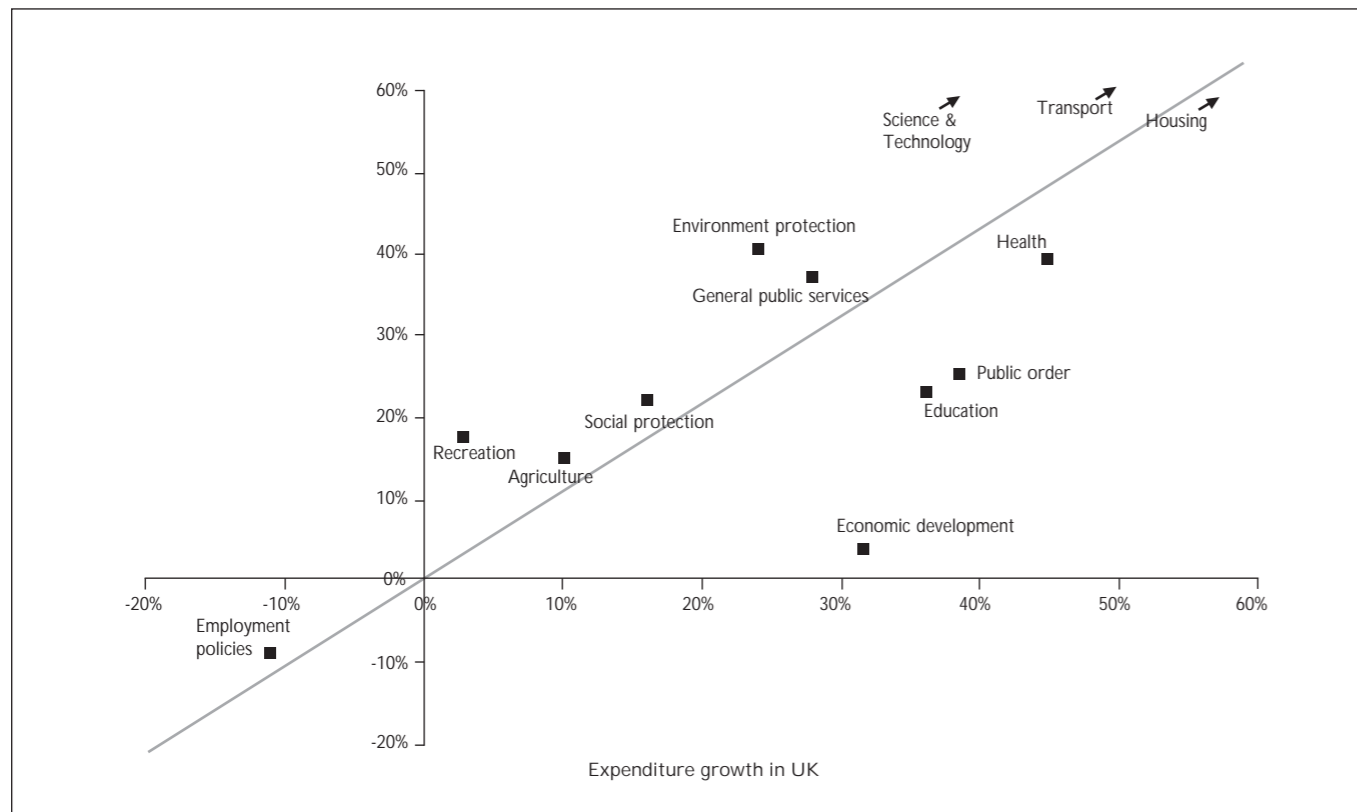
1. Includes personal social services.

2. Policy responsibility for most of the social protection budget does not lie with the devolved administrations.

Source: HM Treasury's Public Expenditure Statistical Analyses

However, there have been significant changes in the balance of spending between services over the post-devolution period. Trends in public spending by service can be analysed both in relation to overall public spending in Scotland and to changes in spending on corresponding services in other parts of the UK (see Figure 1).

Figure 1: Trends in public expenditure by service in Scotland and the UK, 1999/00-2004/05



Source: own analysis based on HM Treasury's Public Expenditure Statistical Analyses 2005

Spending on education rose by 23% in real terms – slower than the average growth in public spending in Scotland over this five-year period - and slower than the growth in education spending in England and Wales. Spending per head on education and training in Scotland was 18% higher than the UK average in 1999/00, but only 7% higher in 2004/05 (with most of this decline occurring since 2001/02). Spending on public order and safety and on enterprise and development has followed a similar trend. These services appear to have been given a lower priority in Scotland than elsewhere in the UK.

Other spending areas, including recreation, agriculture, social protection and employment policies experienced a decline in their share of spending both in Scotland and in other parts of the UK, either because they have generally been seen as a low spending priority or, as in the case of social security, because falling unemployment has reduced the demand for these services⁴.

⁴In the case of "recreation, culture, and religion", the increase in spending in Scotland, though smaller than in other spending areas, was still significantly greater than in England, where spending has not risen at all in real terms.

Meanwhile, spending on health care grew at a faster rate than overall spending in Scotland (a 39% increase in real terms over five years). Health care spending has also grown rapidly in the rest of the UK, particularly in England, so spending on health care in Scotland actually fell marginally relative to the UK average over the period as a whole. The trends in spending on housing and science and technology are similar. These spending areas appear to have been accorded a relatively high priority throughout the UK.⁵

Spending on other services, such as transport and environment protection, have grown at a faster rate in Scotland than spending on other areas and at a faster rate than in the rest of the UK and, therefore, appears to have been given a somewhat higher priority in Scotland than elsewhere. The Scotland-wide free bus travel scheme for older and disabled people, which took effect on 1 April 2006, will cost an additional £160m in 2006/07 and seems likely to continue the trend increase in relative spending on transport.⁶

This analysis is useful in helping to reveal recent spending priorities in Scotland across broad policy areas. The relative decline in spending on education compared with the rest of the UK is an obvious concern, given the importance of this spending area to children. However, this analysis does not tell us how the balance of spending on children may have changed within each spending area, for example between spending on schools and spending on adult education. Nor does it tell us anything about the balance of spending on children living in the poorest families and/or the most deprived areas, who are of particular concern in the context of this report. This requires a more detailed analysis of spending on individual policy areas to which we now turn. This report focuses on the four largest areas of spending: education, social work, health, and social security.

⁵In the latest 2005/06 report, the housing expenditure figures have been adjusted substantially and imply a much lower growth rate in Scotland (23% in real terms between 2000/01-2005/06) than in the UK as a whole (55%). On this basis, housing would be categorised with education as an area of spending that has been accorded a relatively low priority compared with other parts of the UK.

⁶This is the Scottish Executive's estimate of the scheme's maximum cost (quoted in their final response to the public consultation).



Education

The Scottish Executive does not set the amount to be spent on school education, but funds local authorities that set their own service budgets. Local authority expenditure on schools is funded mainly from the Executive's Revenue Support Grant (RSG), but also from business rates and council tax receipts. As in England, the allocations to local authorities are based on needs-adjusted funding formulae. While the overall allocation includes an education 'block', this money is not ring-fenced. Local authorities can decide themselves how much they wish to spend on schools and other services, and also have the option of raising more council tax than assumed in the calculation of RSG. The Executive has a direct influence on schools spending through providing various central grants for specific purposes and indirectly influences the level of schools spending through its schools policies, which may promote or require additional spending on specific aspects of education. Its policies in other areas also indirectly influence the amount of resources potentially available for schools, via the pressures they create for spending on other local services.

The Executive has more direct control over levels of spending on further and higher education through determining the amount of grant-in-aid to the Scottish Funding Council (formed in 2005 by the merger of the Scottish Higher Education Funding Council and the Scottish Further Education Funding Council). It also sets the rules for tuition fees and student support with implications for the value of subsidies implicit within the higher education sector.

In 2004/05, total public expenditure on all levels of education in Scotland was equivalent to £1,155 per head of population – nearly 10% higher than in England, though lower than in Northern Ireland (see Table 4). Spending per head on education in Scotland rose by over 20% in real terms between 1999/00 and 2004/05 and significantly faster than during the four-year period prior to devolution. But, as already noted, spending on education in Scotland has been growing at a slower rate since 1999/00 than in England, Wales, or Northern Ireland, so that the gap in spending between Scotland and the rest of the UK has narrowed substantially.

If the differential rates of growth in education spending since devolution were to continue in future years, it will not be very long before the level of spending per head in England (by 2008) and Wales (by 2010) catch up with Scotland. Whether this is seen as a problem for Scotland depends on views about the adequacy of current levels of education spending in Scotland and on the justification (or otherwise) for the pre-devolution differential in education spending between Scotland, England, and Wales. Given the current Chancellor's aspiration to raise the level of spending per pupil to levels currently pertaining in the private sector (and considerably above current levels in Scotland), it is perhaps a concern that the current rate of growth in education spending in England is not being matched in Scotland, whilst recognising that the growth in spending in recent years is nonetheless considerably higher than in the years preceding devolution.

The figures in Table 4 do not distinguish between spending on schools and spending on other levels of education and are presented on a per head basis, as opposed to a per pupil basis. Spending per school pupil may rise at a faster (or slower) rate than spending per head on education, either because there are fewer (or more) school-aged children and/or because spending on schools is increased (or reduced) at the expense of spending on further or higher education, which is primarily of benefit to adults.⁷

⁷This depends of course on the definition of children used. For the purposes of this report, children are defined as persons aged under 16.

Table 4: Public Expenditure on Education and training, 1995/96-2004/05^{1,2,3}

	Sco	Eng	Wal	Nlre
Total net expenditure in £/head				
<i>Old PESA series:</i>				
1995/96	973	710	756	1020
1996/97	919	697	737	1013
1997/98	920	694	740	1001
1998/99	920	705	740	1004
1999/00	949	724	750	1029
% increase: 1994/95-1999/00	-2%	2%	-1%	1%
<i>New PESA series:</i>				
1999/00	937	764	830	1104
2000/01	986	816	889	1174
2001/02	1064	887	953	1210
2002/03	1065	933	1010	1257
2003/04	1102	1013	1047	1322
2004/05	1155	1064	1084	1406
% increase: 1999/00-2004/05	23%	39%	31%	27%
Index of spend per head (UK=100)				
<i>Old PESA series:</i>				
1995/96	131	95	102	137
1996/97	126	96	101	139
1997/98	127	96	102	138
1998/99	125	96	101	137
1999/00	126	96	100	137
<i>New PESA series:</i>				
1999/00	118	96	105	139
2000/01	117	97	105	139
2001/02	116	97	104	132
2002/03	111	97	106	131
2003/04	107	98	102	128
2004/05	107	98	100	130

1. HM Treasury's Public Expenditure Statistical Analyses 2001-02 (for old series) and 2004-05 for new series).
 2. Includes current and capital expenditure.
 3. Figures are converted into 2003/04 prices using the latest UK GDP deflators.

Using a different data source to earlier Tables, Table 5 shows that total revenue spending on schools in Scotland rose by 23% in real terms between 1999/00-2003/04, slower than the rate of growth in England (36%). At the same time, there has been a very slight fall in the total number of school pupils in both Scotland and England. It follows that the growth rate in expenditure per pupil in Scotland was more than ten percentage points slower than in England over the first four years following devolution.

Table 5: Total Expenditure on Schools, 1999/00-2003/04

	Scotland ¹	England ²
Total revenue expenditure on schools (£m, 2003/04 prices) ³		
1999/00	3140	22977
2000/01	3297	24979
2001/02	3478	27367
2002/03	3628	28302
2003/04	3873	31171
% increase: 1999/00-2003/04	23%	36%
Total number of pupils in all maintained schools ('000s) ⁴		
1999/00	843	7764
2000/01	852	7783
2001/02	845	7770
2002/03	844	7759
2003/04	835	7716
% increase: 1999/00-2003/04	-1%	-1%

1. Total gross revenue expenditure on schools from Table 1.1 of the Scottish Executive's "Expenditure on School Education in Scotland, 2005" (converted into 2003/04 prices).

2. Total current expenditure on schools by central and local government from Table A6(i) of DfES's "Education and Training Expenditure Since 1995-96" (converted into 2003/04 prices).

3. Converted into 2003/04 prices using the HM Treasury's latest GDP deflator.

4. From Table 2.2 of the DfES's Education and Training Statistics for the United Kingdom 2005 edition (and previous years).

One of the areas where post-devolution policies in Scotland have deviated from the rest of the UK is student support. The main reforms, which were introduced in 2001 and applied to full-time students studying in Scotland, are the abolition of up-front tuition fees (which will instead be met by the Students Awards Agency for Scotland) and the re-introduction of means-tested grants for young people from low-income families. The effective cost of these policies will rise further from 2006/07 when tuition fees are raised to a comparable level with those being set in England (and up to a maximum of £3,000 per year). Other things being equal, these reforms will have increased expenditure on student support in Scotland relative to levels in England and may have altered the balance of spending between the primary/secondary and tertiary sectors.

Table 6 presents estimates of total expenditure on education by sector in Scotland and England between 2000/01 and 2003/04, covering the period since the major reforms in Scotland. As expected, the value of student support (tuition fees, grants, and subsidised loans) grew more rapidly in Scotland than in England, but grant-in-aid to higher education institutions grew more slowly, so that the overall level of spending on higher education grew at around the same rate in both countries (13% in Scotland and 14% in England). As in England, there was a small, but significant, increase in the share of the total education budget spent on schools, as spending on schools rose at a faster rate than spending on further and higher education. The reforms to student support do not appear to have been very costly, at least to date, and do not appear to have been at the expense of spending on schools.

Table 6: Breakdown of education expenditure by sector, 2000/01-2003/04^{1,2,3,4}

(£m in 2003/04 prices)	2000/01	2001/02	2002/03	2003/04	% change ⁵ 2000/01- 2003/04
Scotland					
Schools:					
Further education	3297	3478	3628	3873	17%
Higher education	403	450	466	430	7%
Grants to institutions	993	1079	1098	1119	13%
Student support	691	752	765	790	14%
Total education	302	327	332	330	9%
Schools as % of total	4692	5008	5191	5422	16%
FE as % of total	70.3%	69.5%	69.9%	71.4%	+1.2%
HE as % of total	8.6%	9.0%	9.0%	7.9%	-0.6%
	21.2%	21.6%	21.1%	20.6%	-0.5%
England					
Schools:					
Further education	24979	27367	28301	31171	25%
Higher education	3844	-	3811	4305	12%
Grants to institutions	6509	6724	7012	7441	14%
Student support	4810	5059	5328	5718	19%
Total education	1699	1664	1684	1723	1%
Schools as % of total	35332	-	39123	42917	21%
FE as % of total	70.7%	-	72.3%	72.6%	+1.9%
HE as % of total	10.9%	-	9.7%	10.0%	-0.8%
	18.4%	-	17.9%	17.3%	-1.1%

1. Figures for schools expenditure is from Table 1.1 of the Scottish Executive's "Expenditure on School Education in Scotland, 2005". The breakdown of schools expenditure in 2003/04 is not comparable with figures for earlier years.

2. Figures for grant-in-aid to Further Education and Higher Education institutions are from the Annual Reports of the Scottish Further Education Funding Council (SFEFC) and Scottish Higher Education Funding Council (SHEFC), respectively. The SFEFC and SHEFC were replaced by the Scottish Funding Council in October 2005, but their reports for previous years are available on the SFC website.

3. Figures for student support are from Table 1 of the Scottish Executive's "Student Awards in Scotland 2004-05". They include three elements: tuition fees, targeted awards/grants, and student loans. Following Barr (2002), imputed expenditure on loans is equal to 50% of the value of loans in any given year, capturing the implicit subsidy in the arrangements for repaying loans (i.e. lower real interest rate, delayed and/or deferred repayment).

4. All expenditure figures are converted into 2003/04 prices using the HM Treasury's latest GDP deflator.

Table 7 examines the balance of spending between primary and secondary schools in Scotland and England. The figures in the top panel show total school-based spending per pupil in primary and secondary schools. Estimates for Scotland and England are taken from separate publications, so they may not be entirely comparable. However, there is no reason to suppose that this affects the relativities between sectors shown in the bottom panel of the Table. According to these, spending per pupil on secondary schools is relatively high in Scotland by comparison with England (or, conversely, spending on primary school pupils is relatively low). Figures for earlier years (not shown here) show that the ratio of spending between secondary and primary school pupils is consistently higher in Scotland than in England. On average, Scotland spends nearly 50 per cent more per pupil on secondary schools than on primary schools, whereas England spends around 30 per cent more.

Table 7: Expenditure per pupil by sector, 2001/02

Expenditure per pupil (£) (in 2003/04 prices)	Scotland ¹	England ²
Primary schools	2830	2630
Secondary schools	4170	3340
Ratio secondary:primary	1.47	1.27

1. Gross revenue expenditure per pupil by sector Tables 2.2, 3.2, and 4.2 of the Scottish Executive's "Expenditure on School Education in Scotland, 2005" (converted into 2003/04 prices). This includes a small amount for support services, which are not included in the figures for England.
2. School based expenditure from Table B2 of DfES's "Education and Training Expenditure Since 1995-96" (converted into 2003/04 prices using the HM Treasury's latest GDP deflator).

Comparisons over time are difficult, because of changes in the accounting procedures used in the official statistics (between 2001/02 and 2002/03). The official series suggest that gross revenue expenditure per primary school pupil has been growing at a faster rate than per pupil spending on secondary schools and that, as a result, the ratio of spending on secondary: primary pupils is falling (see Table 8). This is consistent with a separate series for school budgeted costs (no longer published by the Scottish Executive). However, the differential in spending per pupil between secondary and primary schools is still considerably larger than in England.

Table 8: Increase in spending per pupil by sector in Scotland, 1998/99-2003/04^{1,2,3}

	Primary schools	Secondary schools	Ratio of secondary: primary
Gross revenue expenditure per pupil (£)			
1998/98	2318	3612	1.56
1999/00	2479	3748	1.51
2000/01	2660	3905	1.47
2001/02	2832	4171	1.47
<i>Change: 1998/99-2001/02</i>	22%	15%	
2002/03	3231	4780	1.48
2003/04	3541	5064	1.43
2004/05	3775	5315	1.41
<i>Change: 2002/03-2003/04</i>	17%	11%	
Budgeted school running costs per pupil (£)			
1998/98	2072	3208	1.55
1999/00	2132	3316	1.56
2000/01	2216	3362	1.52
2001/02	2360	3507	1.49
2002/03	2432	3606	1.48
2003/04	2586	3770	1.46
<i>Change: 1998/99-2003/04</i>	25%	18%	

1. All expenditure figures are converted into 2003/04 prices using the HM Treasury's GDP deflator.
2. Figures for gross revenue expenditure per pupil are from Table 2 of the Scottish Executive's "Expenditure on School Education in Scotland, 2003" and the equivalent for later years.
3. Figures for budgeted school running costs per pupil are from Table 8 of the Scottish Executive's "Expenditure on School Education in Scotland, 2003".

Variation in spending between areas

Spending on schools is skewed towards the most deprived areas through the formula used for allocating central funding to local authorities. The education 'block' includes a specific top-up to reflect the additional demands on schools in more deprived areas (e.g. to support the cost of employing learning support assistants to help pupils with additional educational needs). Local authorities in turn decide how much of their total allocation to spend on schools within the guidelines imposed centrally. The Scottish Executive also sets aside a small part of the education budget for central initiatives, some of which are specifically targeted at schools in the most deprived areas.

Figures 2 and 3 show that there is a significant amount of variation in spending per pupil between local authorities in Scotland. For primary schools, funding per pupil ranges from 17% below the average to 20% above the Scottish average, excluding the three island councils. For secondary schools, the corresponding range is from 12% below to 15% above the average.

Figure 2: Revenue expenditure on primary schools (£ per pupil), 2003/04¹
(with local authorities ranked in order of increasing deprivation)

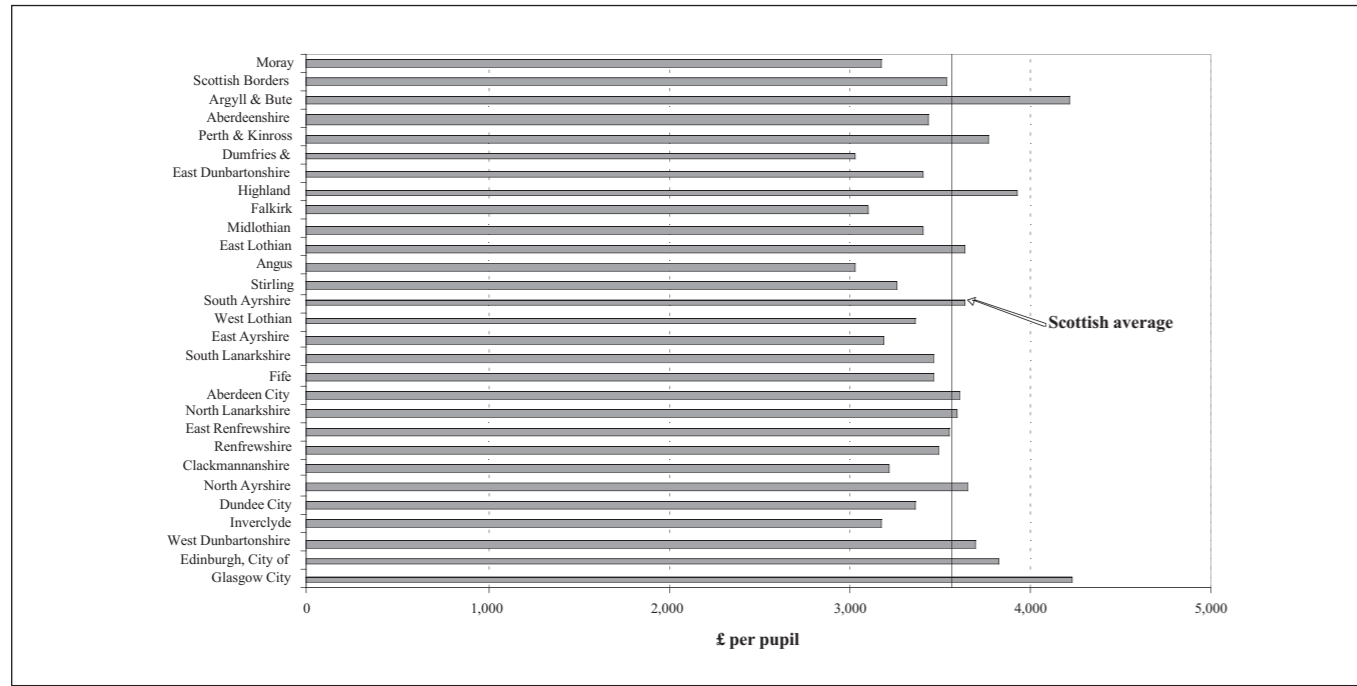
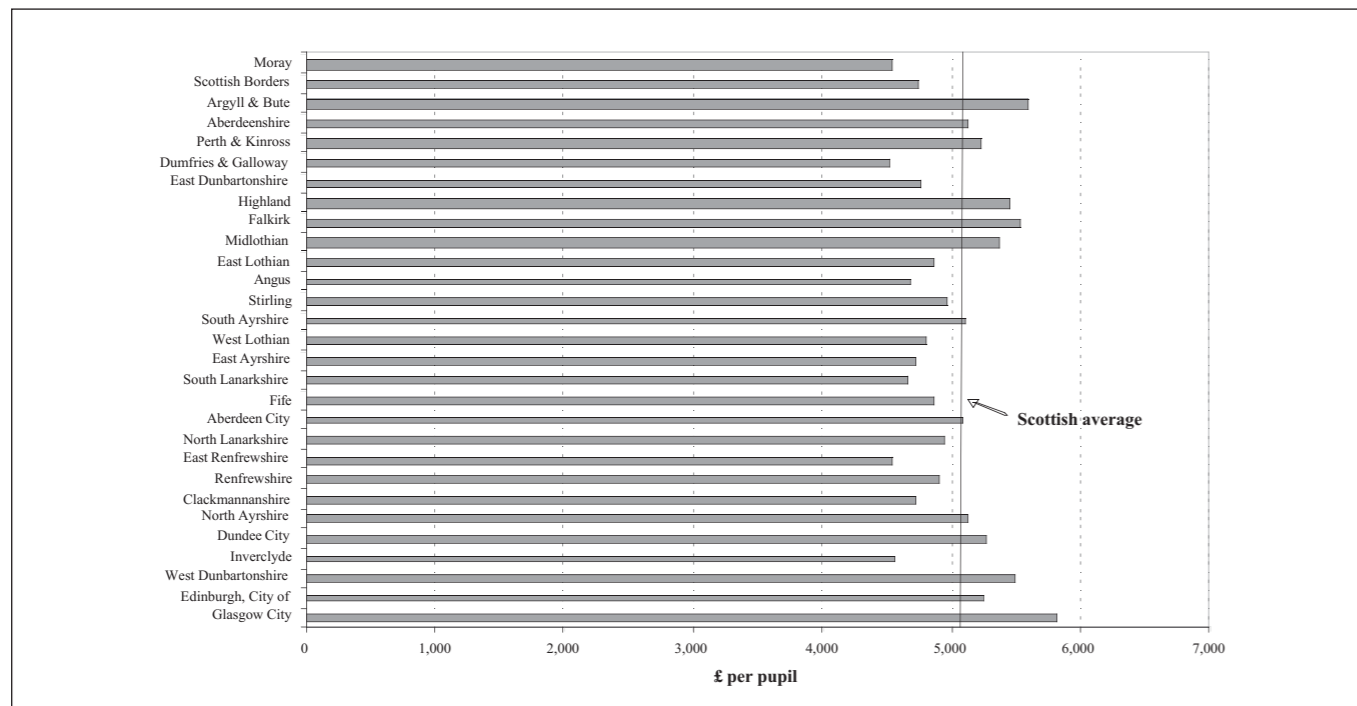


Figure 3: Revenue expenditure on secondary schools (£ per pupil), 2003/04¹
(with local authorities ranked in order of increasing deprivation)



1. Excludes the Orkney Islands, Eilean Siar, and the Shetland Islands. These authorities have substantially higher expenditure per pupil because of the additional costs of school provision in very rural areas.

Source: Tables 2.2 and 3.2 of the Scottish Executive's "Expenditure on School Education in Scotland, 2005"

However, spending per pupil in primary and secondary schools is only marginally higher in the most deprived areas than in the least deprived areas (see Table 9). On average, spending per pupil in the 8 authorities with the highest concentration of low income children is between 2 to 4% higher than in the 8 authorities with the lowest concentration of low income children (or 7 to 9% higher if the three island councils are omitted from this analysis).

Table 9: Spending per pupil by level of deprivation, 2003/04^{1,2,3}

	Primary schools:		Secondary schools:	
	All authorities	Excl. 3 island councils ⁴	All authorities	Excl. 3 island councils ⁴
8 most deprived authorities ⁵	3800	3800	5321	5321
8 next authorities	3488	3488	4843	4843
8 next authorities	3490	3447	5173	5135
8 least deprived authorities ⁵	3638	3476	5205	4956
Ratio of spending in most and least deprived areas (2003/04)	1.04	1.09	1.02	1.07
Ratio of spending in most and least deprived areas (1999/00)	1.02	1.06	1.01	1.07

1. Gross revenue expenditure per pupil by sector Tables 2.2 and 3.2 of the Scottish Executive's "Expenditure on School Education in Scotland, 2005".
2. Local authorities are ranked using the New Policy Institute's "Low income children" measure of deprivation (Indicator 10B) on page 18 of their report: "Monitoring Poverty and Social Exclusion in Scotland 2004. This index is based on the concentration of primary school of pupils who are eligible for free school meals (see Annex A for the full ranking of authorities on this index).
3. Figures are weighted averages using as weights the total number of primary and secondary school pupils, respectively.
4. Orkney Islands, Eilean Siar, and the Shetland Islands.
5. The eight most deprived authorities are: Glasgow, Edinburgh, West Dunbartonshire, Inverclyde, Dundee City, North Ayrshire, Clackmannanshire, and Renfrewshire. The eight least deprived authorities are: Dumfries and Galloway, Perth & Kinross, Aberdeenshire, Argyll & Bute, Scottish Borders, Eilean Siar, Moray, and the Shetland Islands.

This is considerably smaller than the equivalent spending differentials in England. According to previous research for Save The Children England, average funding per pupil in 2003/04 was, on average, 24 per cent higher in the 10% most deprived authorities than in the 10% least deprived authorities. Furthermore, changes in the funding formula for schools in England have helped to skew spending in favour of poorer areas in recent years, whereas there is little evidence of this happening in Scotland. The ratio of spending in the most and least deprived areas has changed little between 1999/00 and 2003/04.

This does not necessarily mean that schools funding in Scotland is less 'needs-based' than in England. It could be that there is less variation in need between authorities in Scotland, so that smaller differentials may be justified. Alternatively, and perhaps more plausibly, the impact of deprivation on funding differentials may be offset by the impact of the country's geography. Less densely populated authorities, which are generally among the less deprived areas, receive additional resources to reflect the costs of providing schooling in more remote areas, reducing the differential between the least and most deprived areas. This issue merits further investigation, focusing on whether sufficient weight is being given to deprivation, as against other factors, in the central and local funding formulae used to distribute schools funding between and within areas.



Social Work

Social work services are financed through the same mechanism as education, as described in the previous section. Local authorities decide how much of their budget to spend on social work and, within the social work budget, how much to spend on children and families services. However, the Scottish Executive has a strong influence on levels of spending through determining the overall allocations to individual authorities and through policies that guide or restrict the way local authorities should spend their money. One of the main influences on social work spending since devolution was the Scottish Executive's decision to provide personal and nursing care without charge to everyone in Scotland aged 65 or over who needs it, whether at home, in hospital or in a care home.

Estimated spending on children and families services in Scotland averaged around £380 per child in 2004/05 – about the same level as in England and Wales. However, the recent trend in spending on children and families services is very different in the three countries. Spending on these services has been rising at a much faster rate in England and Wales since 1998/99, catching up with levels in Scotland by the end of this period.

By contrast, the bottom panel of Table 10 shows that overall net expenditure on social work services (across all client groups) is substantially higher in Scotland than in the rest of the UK and has been rising at a faster rate since devolution (35% in real terms between 1998/99 and 2004/05, compared to 30% in England and 27% in Wales). So, whilst funding for children and families services grew at a faster rate in England and Wales than spending on other client groups, the reverse was the case in Scotland. The implication is that children and families services have received less priority in Scotland than in the rest of the UK.

Table 10: Expenditure per head on personal social services, 1998/99-2002/03^{1,2}

(in 2003/04 prices)	Scotland	England	Wales
Net expenditure per head on children's and families services (£):			
1998/98	323	226	228
2000/01	351	278	257
2002/03	373	327	336
2004/05 (est.)	382	373	386
% increase: 1998/99-2002/03	15%	45%	47%
% increase: 1998/99-2004/05 (est.)	18%	65%	70%
Total net expenditure per head on personal social services (£)			
1998/99	265	194	226
2000/01	290	218	233
2002/03	331	222	265
2004/05 (est.)	357	252	288
% increase: 1998/99-2002/03	25%	14%	17%
% increase: 1998/99-2004/05 (est.)	35%	30%	27%

1. From Table 7 of CIPFA's "Personal Social Services Statistics 2004-05 Estimates" and its equivalent for previous years. Figures for earlier years are actuals.
2. Converted into 2003/04 prices using the HM Treasury's latest GDP deflator at market prices.

This is supported by an analysis of spending by client group, which shows that there has been a significant decline in the share of the social work budget spent on children and families services in Scotland (see Table 11). The share rose initially between the mid 1990s and 2000/01 and then fell sharply thereafter by around five percentage points (from 27.9% in 2000/01 to 22.7% in 2004/05). Spending on children has still risen in real terms (by an estimated 13% between 1998/99 and 2004/05), but by less than the rise in total expenditure on social work, which grew by around a third over the same period.

Table 11: Changes in net expenditure on personal social services by client group in Scotland^{1,2,3}

	Children and families	Older People	Other adult clients ²	Total
Net expenditure, £m in 2003/04 prices				
1996/97	355	605	431	1391
1998/99 ⁴	365	552	453	1370
2000/01	394	614	406	1415
2002/03	407	813	458	1676
2004/05 (est.)	411	902	501	1814
Change: 1996/97-2004/05	16%	49%	16%	30%
Change: 1998/99-2004/05	13%	64%	11%	32%
As % of total expenditure				
1996/97	25.5%	43.5%	31.0%	100.0%
1998/99 ⁴	26.7%	40.3%	33.1%	100.0%
2000/01	27.9%	43.4%	28.7%	100.0%
2002/03	24.2%	48.5%	27.3%	100.0%
2004/05 (est.)	22.7%	49.7%	27.6%	100.0%

1. From Table 4 of CIPFA's "Personal Social Services Statistics 2004-05 Estimates" and its equivalent for previous years. Figures for earlier years are actuals.
2. Converted into 2003/04 prices using the HM Treasury's latest GDP deflator at market prices.
3. Excludes a small amount of expenditure on service strategy and other unallocated items.
4. CIPFA's figures for 1998/99 are adjusted to be consistent with data for other years, by apportioning expenditure on "generic services" to the different client groups (assuming the same percentage split as in 2002/03). As the results may not be directly comparable with other years, we use 1996/97 as an alternative base year in examining changes over time.

The fall in the share of the budget spent on children has made way for a very substantial rise in spending on older people in order to fulfil the Scottish Parliament's commitment to cover the care element of residential care costs. Thus, the share of the personal social services budget spent on older people has risen from just over 40% in 1998/99 to nearly 50% in 2004/05. Although the overall budget has expanded substantially (and at a faster rate than in England and Wales), the priority attached to long-term care appears to have put a squeeze on the resources available for spending on children and other adult client groups by comparison with England and Wales.

As a result of the policies implemented since devolution, the balance of spending between client groups now differs markedly between Scotland and other parts of the UK. In 1996/97, Scotland spent about the same proportion of its social work budget on children and families as in England (25.5% and 25.6%, respectively) and substantially more than in Wales (17.4%). By 2004/05, Scotland was spending a significantly smaller share of its budget on children than in either England or Wales (see Table 12). In absolute terms, Scotland spends about the same amount per child on children and families services as in Wales and England, but it is spending much less on children's services relative to other client groups, in particular older people.

Table 12: Net expenditure by client group in Scotland, England and Wales, 2004/05¹

(As % of total spending on personal social services)	Scotland	England	Wales
Children	22.7%	27.4%	26.0%
Older people	49.7%	40.7%	42.0%
Physical or sensory disability	7.3%	7.3%	6.2%
Learning disability	14.4%	15.3%	19.8%
Mental health needs	4.2%	5.5%	4.8%
Other adult clients	1.7%	1.3%	1.1%
Asylum seekers	<0.1%	2.5%	0.1%
Total			
%	100.0%	100.0%	100.0%
£m	1814	15053	

1. From Table 4 of CIPFA's "Personal Social Services Statistics 2004-05 Estimates"

CIPFA provide a more detailed breakdown of spending on children and families services in Scotland, England and Wales, though care should be taken in making comparisons between countries, because of differences in accounting conventions. Subject to this qualification, Table 13 highlights a number of notable differences between Scotland and the rest of the UK. The overall share of the children and families budget that is spent on looked after children is around the same in all three countries, but Scotland appears to spend a substantially higher share of this total on residential care for children and a correspondingly lower share on fostering services. Scotland also appears to spend more on family support services, including youth work services, but less on youth justice. Further work would be needed to assess how much this reflects genuine differences in the pattern of children's services, as opposed to cross-country differences in accounting procedures.

Table 13: Breakdown of net expenditure on children and families services, 2004/05^{1,2}

(As % of total spending on children and families services)	Scotland	England	Wales
Assessment and casework	23.9%	27.7%	27.6%
Children looked after:			
Residential care (non-respite)	42.1%	41.8%	40.8%
Children's homes	28.2%	-	-
Secure accommodation (welfare)	-	20.4%	16.4%
Fostering services	13.9%	19.3%	21.4%
Other children looked after services	-	2.0%	3.0%
Family support services:	20.4%	14.6%	13.7%
Day care for younger or disabled children	8.8%	7.8%	6.4%
Home care	2.5%	0.6%	0.7%
Equipment and adaptations	0.2%	0.3%	0.3%
Residential care (respite)	3.3%	-	-
Youth work services	3.8%	-	-
Support for carers	1.8%	-	-
Other family support services	-	5.8%	6.4%
Youth justice:	1.8%	3.7%	5.5%
Youth crime	1.8%	-	-
Youth offender teams	-	3.0%	4.4%
Other youth justice services	-	0.7%	1.1%
Other children's and families services	11.9%	12.2%	12.4%
Adoption services	2.3%	3.6%	1.9%
Secure accommodation	2.9%	0.8%	0.6%
Support for formerly looked after children	1.8%	-	-
Leaving care services	-	4.7%	3.1%
Other children's and families services	4.9%	3.1%	6.7%
Total:			
%	100%	100%	100%
£m	418	4217	256

1. From CIPFA's "Personal Social Services Statistics 2004-05 Estimates".

2. The spending categories in Scotland are not the same as those used in England and Wales. Where possible, we have tried to match the categories (in some cases, by combining one or more items). Care should be taken in making comparisons between countries, because of differences in accounting conventions. Figures are shown separately for items that do not have an obvious equivalent in all three countries.

Variation in spending between areas

CIPFA also provide data on the spending per child by local authority. On average, spending per child on children and families services is substantially higher in the most deprived authorities (See Figure 4). The eight most deprived authorities spend an average of £525 per child, compared with less than £300 per child in the eight least deprived authorities (see Table 14). This differential in spending between the least and most deprived areas is comparable to, though still slightly lower, than the corresponding differential in England (where spending on the 10% most deprived authorities is, on average, two and half times that in the 10% least deprived authorities).

Figure 4: Net expenditure per child on children and families services (£ per child), 2002/03¹ (with local authorities ranked in order of increasing deprivation)

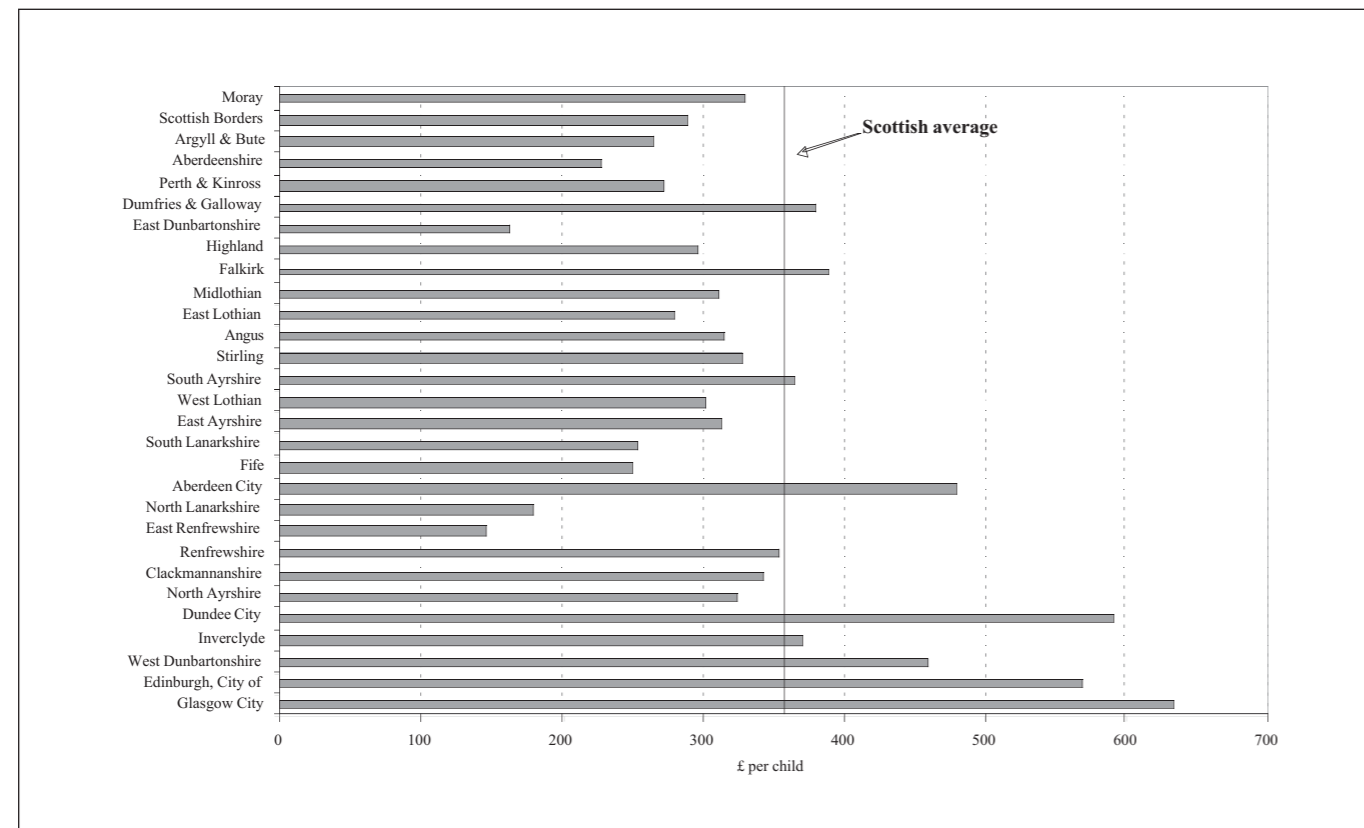


Table 14: Spending on children and families services by level of deprivation, 2002/03^{1,2,3}

	Spend per child:		Spend per looked after child:	
	All authorities	Excl. 3 island councils ⁴	All authorities	Excl. 3 island councils ⁴
8 most deprived authorities	525	525	33800	33800
8 next authorities	272	272	34400	34400
8 next authorities	303	299	39600	39100
8 least deprived authorities	287	285	36900	36600
Ratio of spending in most and least deprived areas	1.83	1.84	0.92	0.92

1. Own calculations based on local authority-level data from CIPFA's "Personal Social Services Statistics 2002-03 Actuals".
2. Local authorities are ranked using the New Policy Institute's "Low income children" measure of deprivation (Indicator 10B) on page 18 of their report: "Monitoring Poverty and Social Exclusion in Scotland 2004. This index is based on the concentration of primary school of pupils who are eligible for free school meals (see Annex A for the full ranking of authorities on this index).
3. Figures are weighted averages using as weights the total number of children (aged under 18) and the total number of looked after children, respectively.
4. Orkney Islands, Eilean Siar, and the Shetland Islands.

We would expect spending to be much higher in the most deprived authorities, given the greater concentration of looked after children in these areas. The eight most deprived authorities are home to a third of all children, but one half of all looked after children. One – albeit crude – way of adjusting for differences in need between authorities is to compare the amount spent per looked after child⁸. On average, the most deprived authorities spend slightly less per looked after child than the least deprived authorities, but the differences by level of deprivation are relatively small (less than 10%). However, there is a substantial amount of variation in spending per looked after child between authorities with similar levels of deprivation. Dundee City, for example, spends almost twice as much per looked after child, as does North Ayrshire or Renfrewshire. Among the less deprived authorities, Falkirk spends almost twice as much as Midlothian. Whilst there may be good reasons for differences in spending between individual authorities, the extent of the variation in spending per looked after child seems hard to justify on the basis of relative need alone.

⁸ Whilst recognising that a substantial share of the children's and families budget is not spent on looked after children, the number of looked after children is used as a proxy for the relative demand/ need for services in different authorities.



Health

Unlike education and social work, the Scottish Executive has direct control over the amount spent on health care through its allocations to NHS Boards, though the allocation of resources between specific health care services is managed by the Boards.

In 2004/05, total net expenditure on health was equivalent to just over £1500 per head – around 14% higher than the UK average (and 16% higher than in England). As noted earlier, health care has been a relatively high priority spending area in recent years in all parts of the UK. Between 1999/00 and 2004/05, average spending per head rose by 40% or more in real terms in Scotland, England, Wales, and Northern Ireland. This is a considerably higher rate of growth than in the preceding period (see Table 15).

Spending on health care is more difficult to apportion between children and other client groups, because many health care services used by children are also used by adults. Children's services as such are not as clearly delineated as they are in the case of education or social work. Having said this, the Scottish Executive has produced estimates of NHS expenditure by age group for 2000/01, which is presented in Table 16. It is not clear how the figures in this Table were derived as they do not provide any details of the methodology used. However, their estimates do mirror differences in the use of health services by age group. Figures 5 and 6, for example, show that both hospital discharge rates and GP contacts by age group are lowest among school-age children and highest among the oldest age groups.

Table 15: Public expenditure on health care, 1995/96-2004/05^{1,2,3}

Total net expenditure in £/head (in 2003/04 prices)	Sco	Eng	Wal	Nlre
Health and personal social services⁴ (old PESA series)				
1995/96	1359	1059	1201	1049
1996/97	1357	1068	1241	1220
1997/98	1346	1079	1245	1241
1998/99	1366	1107	1272	1268
1999/00	1425	1167	1323	1337
<i>% increase: 1995/96-1999/00</i>	5%	10%	10%	28%
Health (new PESA series)				
1999/00	1096	899	1008	1034
2000/01	1166	972	1066	1118
2001/02	1201	1052	1087	1175
2002/03	1362	1116	1207	1264
2003/04	1456	1225	1345	1367
2004/05	1530	1322	1391	1445
<i>% increase: 1999/00-2004/05</i>	40%	47%	38%	40%
Index of spend per head (UK=100)				
Health and personal social services⁴ (old PESA series)				
1995/96	124	97	110	96
1996/97	123	97	112	110
1997/98	121	97	112	111
1998/99	120	97	111	111
1999/00	119	97	110	111
Health (new PESA series)				
1999/00	118	97	109	112
2000/01	117	97	107	112
2001/02	112	98	102	110
2002/03	119	97	105	110
2003/04	116	98	107	109
2004/05	114	98	103	107

1. HM Treasury's Public Expenditure Statistical Analyses 2001-02 (for old series) and 2004-05 for new series).
2. Includes current and capital expenditure.
3. Figures are converted into 2003/04 prices using HM Treasury's latest UK GDP deflators.
4. The figures for 1995/96 to 1999/00 include expenditure on personal social services, as well as health care, because this is the way spending categories were grouped in previous years' reports.

Figure 5:

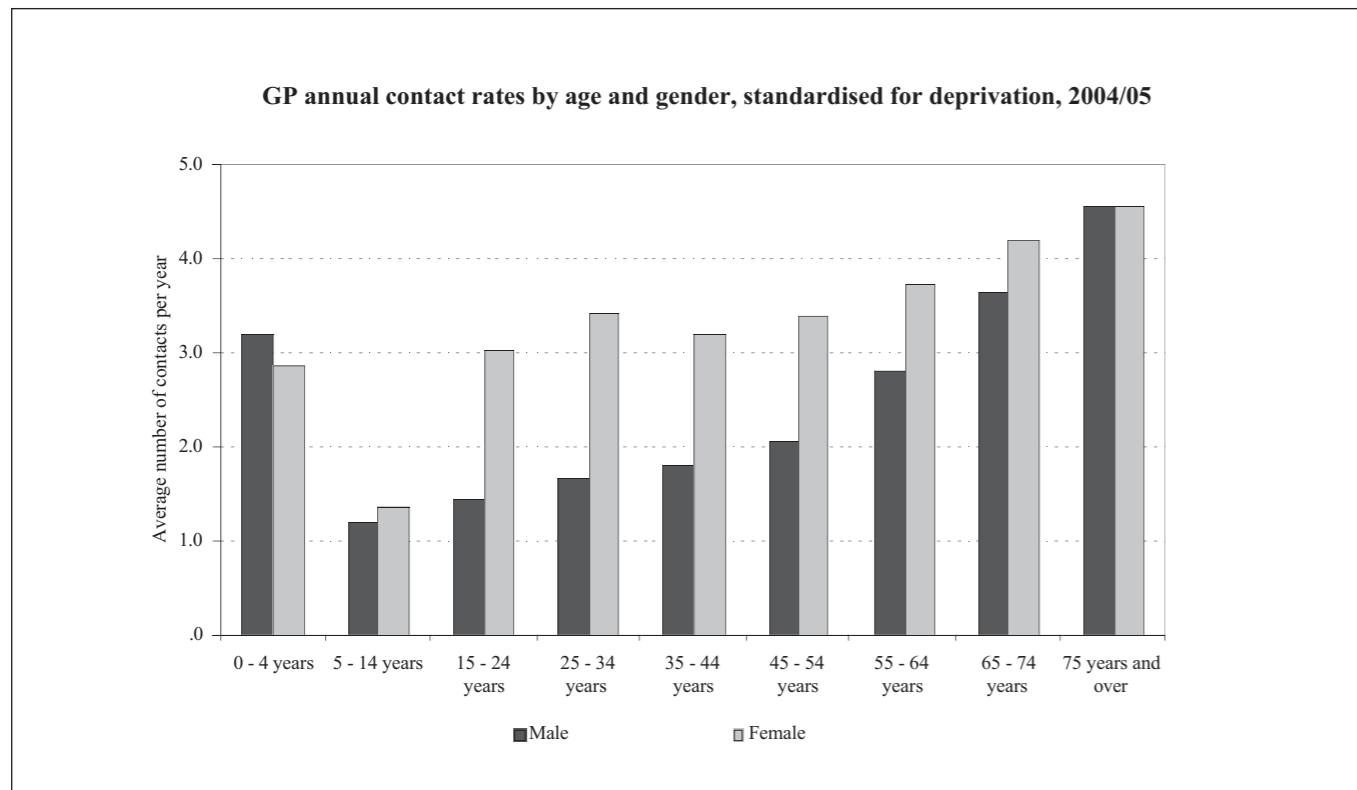
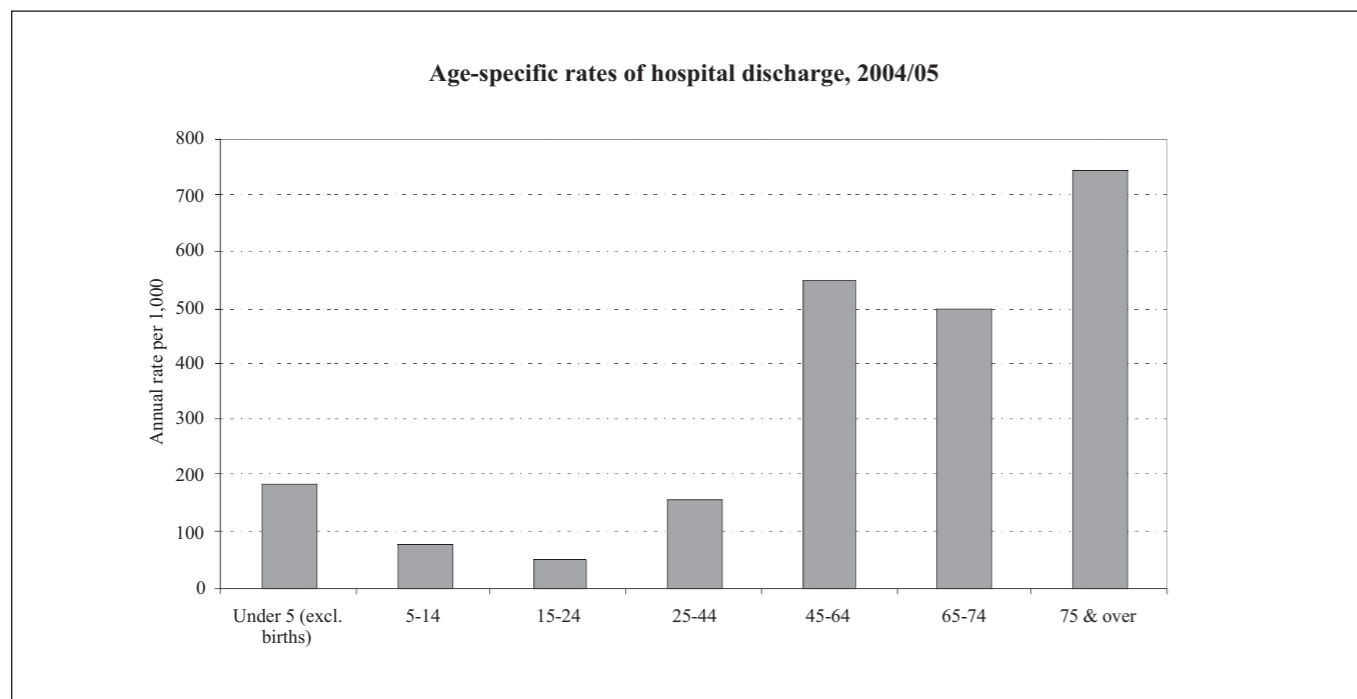


Figure 6:



Source: Scottish Health Statistics (The website of ISD Scotland)

Table 16: Estimated NHS expenditure by age group in Scotland, 2000/01^{1,2}

Age range	Spending per head:	
	£s	Index (Average=100)
Births	4890	403
0-4 (excl. births)	980	81
5-14	520	43
Under 14 ^{3,4}	660 - 940	54 - 78
15-44 ³	770 - 890	63 - 73
45-64	1100	90
65-74	2010	166
75-84	3550	293
85 and above	5410	445
Average ⁴	1210	100

1. From Table 5.2 of Scottish Executive (2001), "Scottish Budget 2003/04: Annual Expenditure Report of the Scottish Executive".
 2. Rounded to nearest £10.
 3. Expenditure on births can either be apportioned to children or to mothers (assumed to be aged 15-44). In each case, the lower bound estimates exclude expenditure on births and the higher bound estimates include births.
 4. Weighted average using mid-2000 population estimates.

Similar figures for England are produced annually by the Department of Health, though only for Hospital and Community Health Services (around three quarters of total NHS spending). A comparison of the two sets of figures suggests that relative spending by age group is very similar in Scotland and England. Again, the average per capita expenditure on children is around three quarters of the national average if expenditure on births is apportioned to children (or around half the national average if this spending is apportioned to mothers). Spending on pre-school children, excluding births, is nearly twice as high as spending on school-age children.

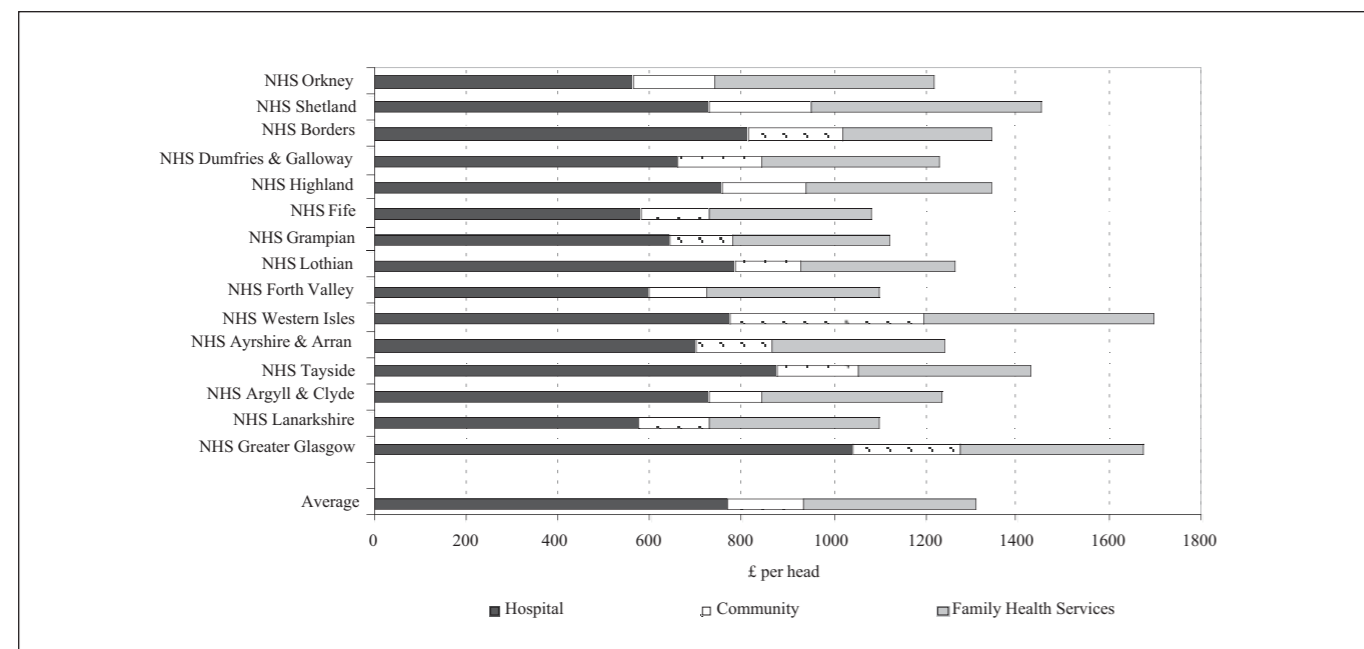
There is no firm evidence on whether and, if so how, relative health care spending by age group has changed in Scotland in recent years. Figures for England (for hospital and community health services) show that spending per capita has been rising in real terms across all age groups, including children, but at a substantially faster rate among older people (aged 65 or over). Between 1996/97 and 2002/03, average spending on older people grew by over 40% in real terms, whereas spending per child grew by between 10-14% - and spending on school-age children actually fell slightly in real terms. However, these figures need to be treated with some caution, because of difficulties in apportioning health care expenditure by age group. It is not clear how far the apparent shift in spending towards older people reflects genuine changes in relative spending, as opposed to changes in the methodology used for apportioning health care spending. Nor do we have any evidence as to whether these changes in relative spending by age group have been mirrored in Scotland and, if so, what may be driving this.

Variation in spending between areas

The allocation of health care resources between NHS Boards is based on the Arbutnott formula, which takes into account the demographic characteristics of each area and includes adjustments for differences in health care needs (which are closely linked to levels of deprivation) and for remoteness (in so far as this affects the cost of providing health care services). The new formula was adopted in 2000 and the aim is to move gradually from current allocations towards target allocations based on the new formula. All NHS Boards will receive a minimum increase in their allocation, but growth over and above this minimum will be concentrated on those areas whose current allocation is below its target share. According to projections in the "Fair Shares for All" report, all Health Boards other than Shetland and Grampian should already be very close to their target allocation.

The 2004/05 allocations are shown in Figure 7. Health care expenditure ranges from less than £1,100 per head in Fife and Lanarkshire to nearly £1,500 per head in Greater Glasgow and £1,700 in the Western Isles. Table 17 shows that the most deprived areas, which generally score highest on the adjustment for differences in morbidity and life circumstances, are not necessarily the authorities with the highest (positive) overall adjustment factor, after taking into account demographic factors and remoteness. The Borders area, for example, scores the lowest on the morbidity adjustment (i.e. is among the least deprived areas), but is assessed as requiring an above average per capita allocation of resources, because it has a relatively elderly population and is more rural. Lanarkshire, on the other hand, is assessed as needing a below average allocation, in spite of the fact that it is one of the more deprived areas of Scotland. In general, the least deprived areas are more rural and have older populations than the most deprived areas. These two adjustments offset each other to some extent, reducing the variation in target allocations between the least and most deprived areas.

Figure 7: Health care expenditure per head by NHS Board, 2004/05¹
(Ranked in increasing order of deprivation)¹



1. Based on the proportion of women of childbearing age who live in the most deprived areas.

Source: Scottish Health Statistics (The website of ISD Scotland)

Table 17: Relative need for health care resources by NHS Board

(percentage difference from national average)	Morbidity and Life Circumstances Adjustment	Age/Sex Adjustment	Remoteness Adjustment	Overall Adjustment
NHS Board				
Greater Glasgow	14.3	-0.9	-3.2	9.6
Western Isles	12.3	9.4	20.4	48.2
Lanarkshire	4.6	-5.5	-1.9	-3.1
Argyll & Clyde	2.8	0.1	0.3	3.2
Ayrshire & Arran	2.6	2.3	-0.7	4.4
Tayside	-0.8	5.5	0.1	4.8
Forth Valley	-2.1	-0.7	-1.0	-3.7
Fife	-3.1	1.2	-1.4	-3.3
Highland	-4.7	1.8	13.2	9.8
Dumfries & Galloway	-5.5	7.9	7.1	9.2
Lothian	-6.5	-1.7	-2.5	-10.4
Shetland	-12.2	-4.1	20.4	1.3
Orkney	-12.5	3.1	18.9	7.2
Grampian	-13.3	-2.2	2.1	-13.5
Borders	-13.4	10.4	9.0	4.0

1. From Table 1 of the Scottish Executive's "Fair Shares for All" report.
2. Figures refer to allocations for Hospital and Community Health Services and GP Prescribing.

It is unclear what, if any, the implications will be of the new Arbutnott formula for spending on children and, in particular, children living in poverty. The priority attached to children's health services depends on resource allocation decisions made at a regional and local level by NHS Boards and local health service providers, the combined impact of which is very difficult to gauge.



Social Security

Social security policy is determined at the UK level, so is one of the few areas not affected by devolution. But, as already noted, recent changes in the tax-benefit system may have had a differential impact on Scotland, because of differences in the demographic composition and relative needs of their population. This is the area of spending that is most strongly income-related and is, therefore, of particular importance to low-income families.

Table 18 considers the receipt of various state benefits by households with children in Scotland, England, and Wales. Among households with children, the proportions receiving different types of benefit and the total value of benefits received is very similar in the three countries. In each case, households with children receive, on average, around £4,000 per year in state benefits and tax credits. It follows that the changes in the benefit and tax credit system, which are well documented elsewhere, are likely to have had a broadly comparable impact across the UK.

Table 18: Households with children in receipt of various state benefits, 2003/04

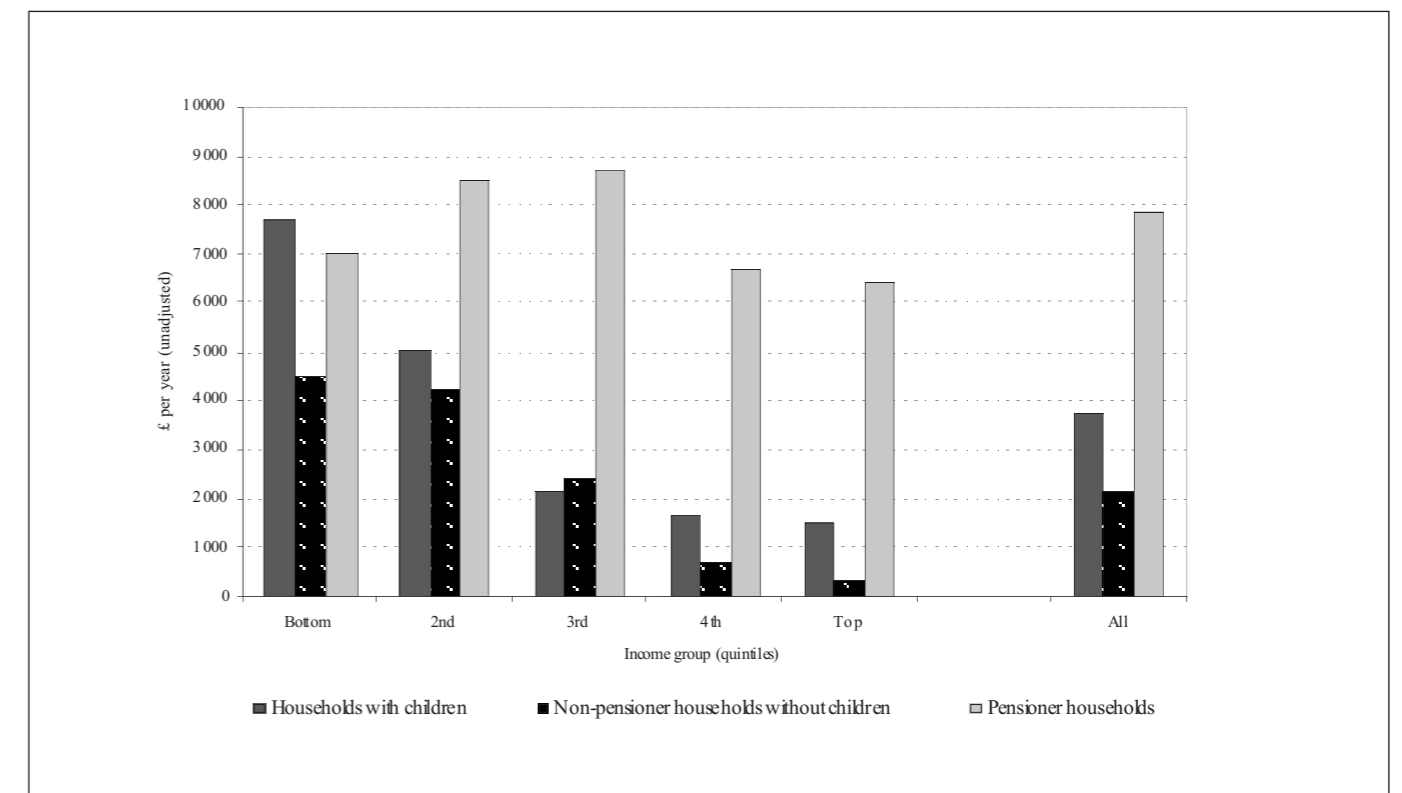
	Scotland	England	Wales
Proportion of households in receipt of benefits (%):			
Income Support	18	17	19
Housing Benefit	21	19	22
Council Tax Benefit	23	22	24
Jobseeker's Allowance	2	3	4
Incapacity Benefit	4	4	6
Disability Living Allowance	7	6	9
Child Benefit	98	97	99
Working Tax Credit	16	15	21
Child Tax Credit	49	46	52
Any income-related benefit	25	25	28
Any non-income-related benefit	99	97	99
Any state benefit	99	98	99
Average value of all benefits received (£ per year)			
Income-related	1790	1910	2000
Non-income-related	2020	2010	2160
Total	3800	3920	4160
Sample size (=100%)	1264	6067	345

Source: own analysis based on the 2003/04 Family Resources Survey

Pensioner households receive more, on average, than other household types (a large part of this being the Basic State Pension). However, benefits spending on households with children are more strongly targeted at lower income groups than spending on other household types (see Figure 8). On average, households with children received just under £4,000 per annum in benefits and tax credits in 2003/04, split more or less evenly between income and non-income related benefits. But, the poorest families (the bottom fifth of the income distribution) received nearly five times as much as the richest families (the top fifth) - £7,800 per annum as against £1,600 per annum. Not surprisingly, this is largely accounted for by differences in the value of income-related benefits, such as Income Support and Housing Benefit.

Table 19 shows how benefit rates for the main state benefits have changed since New Labour came to power in 1997. Recent changes in the benefit system have clearly favoured households with children and low income pensioners. Child Benefit rates have risen in real terms by up to a quarter (for the first child), whilst Income Support rates for families with children and for pensioner households have risen by between a fifth and a third in real terms between April 1997 and April 2004. Non-pensioner households without children, on the other hand, have experienced no real increase, or even a slight decrease, in their entitlements to Income Support, Job Seekers Allowance, and Incapacity Benefit.

Figure 8: Receipt of benefits by income group, Scotland 2003/04



1. Households are ranked according to their post-benefit incomes, adjusted for differences in household composition (using the McClements scale).

Source: own analysis based on Scottish sample of the 2003/04 Family Resources Survey

Table 19: Values of Social Security Benefits (at April 2004 prices)

£ per week in real terms (April 2004 prices)	at April 1997	at April 2004	Change in real terms (%)
Benefits directed principally at households with children:			
Child Benefit:			
- 1 child	13.13	16.50	+25.7
- 2 children	23.82	27.55	+15.7
- 3 children	34.51	38.60	+11.9
Income Support:			
- Lone parent, 1 child (under 11)	92.30	113.87	+23.4
- Couple, 1 child (under 11)	118.31	145.52	+23.0
- Couple 2 children (under 11)	137.38	187.79	+36.7
- Couple 2 children (aged 13 and 16)	160.56	187.79	+17.0
WFTC/ CTC+WTC1:			
- 1 child under 11	81.10	101.63	+25.3
- 2 children under 11	103.40	132.88	+28.5
- 2 children (aged 13 and 16)	111.40	132.88	+19.3
Benefits directed principally at non-pensioners without children:			
Income Support:			
- Single 18-24	43.89	44.05	+0.4
- Single over 25	55.46	55.65	+0.3
- Couple, no child	86.00	86.24	+0.3
Jobseekers allowance (contributory):			
- Single	58.40	55.65	-4.7
- Couple	91.66	87.30	-4.8
Incapacity Benefit (long term rate):			
- Single	74.20	74.15	-0.1
- With dependent adult	118.57	118.50	-0.1
Benefits directed principally at pensioners:			
Basic Retirement Pension:			
- Single	74.20	79.60	+7.3
- Couple	118.57	127.25	+7.3
Pension Credit:			
- Single	77.63 - 85.42	105.45	+23.4 - 35.8
- Couple	119.05 - 129.93	160.95	+23.9 - 35.2

1. Maximum rate for family with a joint annual income of £5,000, assumed to be working part-time (between 16 and 30 hours a week), excluding any disability or childcare elements.
 2. The increase in rates over this period is around five percentage points higher for pensioners aged 60-74 and around five percentage points lower for pensioners aged 80 or over.

Source: DWP's Abstract of Statistics for Benefits 2004 Edition, HM Revenue & Customs' Child and Working Tax Credits Statistics (December 2005), Working Families' Tax Credit and Family Credit Statistics.

Micro-simulation analysis confirms that the poorest households, and more specifically those with children and pensioners, have gained most from Labour's reforms to the tax-benefit system both in absolute terms and as a proportion of their income. According to POLIMOD, a tax-benefit model, the combined effect of the measures implemented between 1997 and 2003/04 was to raise the incomes of the poorest fifth (or quintile) of households by £1,400 per year, on average, compared to what their incomes would have been if the 1997 tax-benefit system had remained in place (up-rated only for inflation)⁹. This is equivalent to an 18 per cent increase in the average income of these households. By contrast, the impact on the richest fifth of households was a small net loss of £100 per year, on average - or 0.2 per cent of the average income of these households. The poorest households with children were among the biggest beneficiaries of these reforms, being better off by more than £2,000 per year than they would have been in the absence of policy change.



⁹Estimates presented in this report are for the UK as a whole.



Summary

Overall levels of public expenditure per head, including non-devolved areas of spending, are nearly 20% higher in Scotland than the UK average and have remained so over the five-year period since devolution. There are also some significant differences in the balance of spending between services and in trends in spending over time. Whilst spending on most public services has risen significantly in real terms since devolution, Scotland appears to have given a relatively high priority to certain areas (health, housing, transport, and environment protection) and a relatively low priority to other services (education and training and public order and safety) by comparison with other parts of the UK.

The relative decline in spending on education compared with the rest of the UK is a particular concern, given the importance of this spending area to children. Further analysis shows that spending on schools has been growing at a considerably slower rate in Scotland than in England, Wales, or Northern Ireland in the period since 1999. Though current levels of spending are still higher in Scotland, spending levels in England (by 2008) and Wales (by 2010) will catch up with Scotland if current rates of growth continue in future years. Compared with England, Scotland spends a slightly higher proportion of its education budget on higher education (though little of this is attributable to recent reforms to student support). The ratio of spending on secondary to primary school pupils is also significantly higher (though falling) in Scotland. Spending per pupil in the most deprived areas is only marginally higher than in the least deprived areas (and much less skewed to poorer areas than in England), raising the question as to whether sufficient weight is being given to deprivation in the formulae used to allocate schools funding to local authorities.

The Scottish Parliament's commitment to provide free personal care to all older people who need it has led to a substantial rise in social work expenditure on older people (from around 40% to nearly 50% of the social work budget). This appears to have been at the expense of children and other adult clients. Between 1998/99 and 2004/05, spending per head on children and families services in Scotland grew much more slowly in Scotland (28% in real terms) than in England (65%) or Wales (70%). As we would expect, spending on children's services is substantially higher, on average, in the most deprived authorities, though it seems hard to account for the extent of variation in spending per looked after child between some authorities with similar levels of deprivation.

Average expenditure per head on health is relatively high in Scotland and has been rising at a faster rate than overall public expenditure. Estimates suggest that the average amount spent on children is between a half and three quarters the average for all persons and that relative spending by age group is similar in Scotland and England. It is unclear what, if any, the implications will be of the new Arbutnott formula (used to distribute NHS funding in Scotland) for spending on children and, in particular, children living in poverty. The priority attached to children's health services depends on resource allocation decisions made at a regional and local level by NHS Boards and local health service providers, the combined impact of which is very difficult to gauge.

Social security, though not a devolved area, is of key importance in tackling child poverty. The poorest families with children have been among the biggest beneficiaries of recent reforms to the tax-benefit system, being better off by more than £2,000 per year than they would have been in the absence of policy changes since 1997.

In summary, devolution has led to, or been associated with, some significant changes in the pattern of public spending in Scotland, most of which do not appear to have favoured children. Most notably, spending on schools and children's social work appear to have been a lower priority than in England or Wales, where spending has been catching up with previously higher levels of spending in Scotland. Social security, which is not devolved, is the only area of the four studied here where families with children, and the poorest families in particular, have been among the main beneficiaries of policy change over this period. The Scotland-wide free bus travel scheme for older and disabled people, which took effect on 1 April 2006, will lead to a further increase in relative spending on older people.

About the Author

Tom Sefton is a Research Fellow at the ESRC Research Centre for Analysis of Social Exclusion (CASE) at the London School of Economics.

His research interests include the distributional effects of public spending, attitudes to the welfare state, poverty and inequality, and fuel poverty. He has recently contributed chapters on 'Inequality and poverty under New Labour' in a volume assessing the impact of New Labour's policies in tackling social exclusion and on 'Attitudes to redistribution' in the latest British Social Attitudes report. He has previously carried out analyses for Save the Children of public spending on children in England and Wales.



Save the Children fights for children in the UK and around the world who suffer from poverty, disease, injustice and violence. We work with them to find lifelong answers to the problems they face.

In Scotland we work with young people in disadvantaged areas, in schools, with young Gypsy/Travellers, young refugees and asylum-seekers. We ensure that their views are heard at the highest level through our work on children and young people's rights, poverty, anti-racism and discrimination, citizenship, education and communities.

www.savethechildren.org.uk/scotland

For further copies of this publication contact:

Save the Children

2nd Floor Prospect House 5 Thistle Street Edinburgh EH2 1DF

Telephone: 0131 527 8200 Facsimile: 0131 527 8201

Email: j.sperber@savethechildren.org.uk

May 2006 The Save the Children Fund Registered Charity No. 213890

All rights reserved. No reproduction, copy or transmission of this publication may be made without written permission from the publisher, and a fee may be payable.

Image Credits

Young girl - Photographer: Dan White, Skateboarder - Photographer: Chris Anderson,

Two girls - Photographer: Karen Robinson