

*In conjunction with:*



Briefing No. 2

### ***THE SCOTTISH GOVERNMENT'S BUDGET 2007: THE WINNERS AND LOSERS***

Following our preliminary reaction to the Scottish budget announcement, this briefing provides a more comprehensive analysis of the budget implications and who are the winners and losers. Table 1 provides a detailed breakdown of the departmental spending in the budget statement and the annual average percentage increase this represents. **All numbers quoted are in real terms ie, they have been adjusted for inflation to take them to 2007-08 equivalent prices.** Inflation is assumed to be 2.7% per annum, in line with the figure used in the Comprehensive Spending Review (CSR).

1. Overall, the Scottish Government's discretionary spending (namely, the Departmental Expenditure Limit or DEL) is set to rise 1.5% per annum between 2007-08 and 2010-11 to £28.0 billion, an increase of £1.2 billion by 2010-11.
2. Nonetheless, this overall figure masks a wide variation across the Government's portfolios.
  - One of the largest recipients is the newly reconfigured Local Government portfolio, which benefits from an above average increase between 2007-08 and 2010-11 of 1.6% per annum, reaching a total of £9.2 billion by 2010-11.
  - Many of the other larger recipients still benefit from a real-terms increase in spending over the next three years, but the increases are below the Scottish Government's average rise. For example, the total health portfolio will receive a 1.4% per annum increase though, within this, allocations to Scotland's health boards rise by only 0.5% per annum. Spending across Scotland's transport portfolio will also rise by 0.5% per annum but rail services face a real-terms cut of 1.2% per annum.
  - Big winners appear to be spending on capital investment in the Health and Wellbeing portfolio (up 2.1% per annum between 2007-08 and 2010-11), motorways and trunk roads (up 9.2% per annum), the centrally funded police budget (up 5.9% per annum), and access support for NHS – previously known as the waiting times co-ordination unit (up 31% per annum).
  - In addition to rail services in Scotland, other big losers appear to be general medical services (down 2.6% per annum), general dental services (down 2.6% per annum), major public

transport projects (down 7.8% per annum), legal aid (down 1.8% per annum) and rural development (down 2.2% per annum).

- The baseline for a number of portfolios has been adjusted to reflect the reallocation of funds to Scotland's local authorities. We do not know the assumed uplift for each of the transferred funding lines, although we know local government is to receive a 1.6% per annum increase over the period. This means it is currently not possible to make a judgement on how good or bad the settlement is for these adjusted portfolios. For example, Health and Wellbeing retained £480.6 million for housing and regeneration expenditure, and this is forecast to rise 3.2% per annum over the same period. However, in 2007-08 the total for this budget item was over £680 million<sup>1</sup>. Consequently, the 3.2% per annum increase may be less generous if the implied £200 million transfer to local authorities is not increased in a similar manner.
  - Other budget lines where comparisons between 2007-08 and beyond are difficult are the schools budget, where the centrally retained portion is forecast to fall 1.6% per annum between 2007-08 and 2010-11; the children, young people and social care central budget, forecast to fall 6.9% per annum; and the enterprise, energy and tourism central budget line which falls 3.4% per annum between 2007-08 and 2010-11.
  - Scottish Water has received a 16.6% per annum increase, reflecting the additional funding allocated in the CSR by HM Treasury to cover Scottish Water's additional £130 million cost of capital charge. (This helps to settle one of the 'issues' raised in the Comprehensive Spending Review which we analysed in October 2005 – see CPPR's earlier analysis [http://www.cppr.ac.uk/media/media\\_49726\\_en.pdf](http://www.cppr.ac.uk/media/media_49726_en.pdf).)
3. An underlying inflation rate of 2.7% per annum is assumed for this analysis. At least 50% of the Scottish Government's budget funds wage costs, so this 2.7% inflation assumption may be an underestimate of the cost inflation facing many in Scotland's public sector. If wage costs rise by more than 2.7%, many more recipients of the Scottish Government's funding could be facing a real terms cut in their budgets in 2008-09 rather than an increase.
  4. Although there may be growth for many overall, the 2008-09 position may be particularly hard for a number of portfolios where the budget is forecast to fall. For example, irrespective of what funding has been reallocated to local authorities, housing and regeneration faces a real terms decline of £23 million in 2008-09 or a 6% real cut over 2007-08. eHealth falls £25 million in real terms, a reduction of just over 25% next year.
  5. The Cabinet Secretary confirmed the need for Scotland's public services to continue to deliver efficiency savings, raising the target from 1.5% per annum to 2% per annum. As Table 1 suggests, for a number of Scotland's public services, achieving these cash-releasing savings will be essential simply to maintain services let alone meet any un-met demand.

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<sup>1</sup> Based on the 2007-08 Draft Budget total for Affordable Housing Investment Programme, Modernising Private Sector Housing, Central Heating Initiative, Housing & Voluntary Sector Grants, Tackling Homelessness, Cost of Capital Charge and Communities Scotland Running Costs

## NHS spending in Scotland

Spending on health in Scotland announced in the Scottish Budget shows that total spending is due to rise from £10.214bn in 2007-08 to £11.522bn in 2010-11 (Table 21.01). The comparable figure for NHS spending in England announced by the Chancellor of the Exchequer in the Comprehensive Spending Review in October was a rise from £90.352bn to £109.806bn. For England this amounts to an average 6.7% rise per annum (or 3.9% after adjusting for inflation); in Scotland the comparable rise is 3.9% (or 1.4% after inflation). Clearly, increases in health spending in Scotland are some way below the increases set to take place in England.

### Advance notice:

The new Economic Strategy and a more detailed analysis of the Scottish Government's spending plans will be published at 1am on the 27<sup>th</sup> November (<http://www.cppr.ac.uk/centres/cppr/newsandevents/>) followed by a presentation of key findings at a seminar (conducted under Chatham House rules) on Tuesday 27<sup>th</sup> November (14.30 – 16.00) in Ivy Lodge, 63 Gibson Street, Glasgow (email [cppr@gla.ac.uk](mailto:cppr@gla.ac.uk) to book a place).

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**The Scottish Budget Spending Review 2007  
Departmental Expenditure Limits (DEL), 2007-08 to 2010-11**

£ Million, 2007-08 prices	2007-08	2008-09	2009-10	2010-11	Real increase per annum
<b>TOTAL DEL</b>	<b>26,824.3</b>	<b>27,265.5</b>	<b>27,737.8</b>	<b>28,008.9</b>	<b>1.5%</b>
<b>Health &amp; Wellbeing</b>	<b>10,776.0</b>	<b>10,925.8</b>	<b>11,125.0</b>	<b>11,264.5</b>	<b>1.5%</b>
<i>Off which:</i>					
- Total Health	10,214.9	10,369.2	10,487.1	10,636.6	1.4%
- Advances to NHS Boards	7,846.0	7,883.4	7,921.7	7,960.6	0.5%
- General Medical Services	671.3	653.7	636.5	619.7	-2.6%
- Health Capital Investment	528.1	542.9	607.2	561.7	2.1%
- Total Housing & Regeneration	480.6	364.1	423.5	435.8	3.2%
- General Dental Services	354.3	345.0	335.9	327.1	-2.6%
- Nursing	147.1	146.6	146.7	146.6	-0.1%
- eHealth	100.3	75.5	87.7	129.2	8.8%
- Access Support for NHS	65.0	150.9	147.0	143.1	31.0%
- Total Wellbeing	36.7	10,925.8	11,125.0	11,264.5	1.4%
- SportsScotland	34.3	46.2	51.1	50.7	13.9%
<b>Local Government</b>	<b>8,783.9</b>	<b>8,925.5</b>	<b>9,076.5</b>	<b>9,204.7</b>	<b>1.6%</b>
<b>Finance &amp; Sustainable Growth</b>	<b>2,681.8</b>	<b>2,729.2</b>	<b>2,811.7</b>	<b>2,800.8</b>	<b>1.5%</b>
<i>Off which:</i>					
- Total Transport	1,740.1	1,666.1	1,790.0	1,765.8	0.5%
- Enterprise, Energy & Tourism	690.3	669.1	632.3	622.2	-3.4%
- Rail Services in Scotland	638.1	671.1	632.3	622.2	-1.2%
- Scottish Water	181.8	303.6	295.6	287.8	16.6%
- Motorways & Trunk Roads	377.1	375.9	295.6	491.4	9.2%
- Major Public Transport Projects	272.0	153.6	295.6	213.0	-7.8%
- Planning	2.5	11.5	5.0	5.2	27.4%

**The Scottish Budget Spending Review 2007  
Departmental Expenditure Limits (DEL), 2007-08 to 2010-11**

£ Million, 2007-08 prices	2007-08	2008-09	2009-10	2010-11	Real increase per annum
<b>Education &amp; Lifelong Learning</b>	<b>2,357.6</b>	<b>2,344.4</b>	<b>2,355.2</b>	<b>2,376.6</b>	<b>0.3%</b>
<i>Off which:</i>					
- <i>Scottish Further and Higher Education Funding Council</i>	1,633.9	1,629.3	1,664.0	1,718.7	0.5%
- <i>Student Fees</i>	279.9	279.0	270.2	287.0	0.5%
- <i>Schools</i>	136.1	12.7	129.0	130.0	-1.6%
- <i>Children, Young People and Social Care</i>	115.6	100.7	100.0	94.9	-6.9%
<b>Justice</b>	<b>979.1</b>	<b>1,013.9</b>	<b>1,029.5</b>	<b>1,025.0</b>	<b>1.5%</b>
<i>Off which:</i>					
- <i>Scottish Prison Service</i>	427.3	431.6	440.6	443.9	1.3%
- <i>Legal Aid</i>	168.4	162.8	161.8	159.7	-1.8%
- <i>Police Central Government</i>	128.5	134.9	154.2	152.5	5.9%
- <i>Scottish Courts Services</i>	79.4	79.2	88.1	88.0	3.5%
<b>Rural Affairs &amp; the Environment</b>	<b>529.6</b>	<b>599.7</b>	<b>604.1</b>	<b>600.5</b>	<b>4.3%</b>
<i>Off which:</i>					
- <i>Rural Development</i>	144.1	142.3	138.0	134.6	-2.2%
- <i>Environmental Protection &amp; Sustainable Development</i>	44.1	101.2	105.5	108.5	35.0%
- <i>Natural Heritage</i>	82.1	79.2	79.8	79.8	-1.0%
- <i>Marine &amp; Fisheries</i>	54.3	63.9	67.3	65.4	6.4%
<b>Office of the First Minister</b>	<b>266.3</b>	<b>273.3</b>	<b>278.3</b>	<b>281.8</b>	<b>1.9%</b>
<i>Off which:</i>					
- <i>Cultural Collections</i>	85.8	86.3	93.8	92.8	2.6%
- <i>Creative Scotland</i>	49.0	48.9	52.2	53.1	2.7%
- <i>Historic Scotland</i>	47.7	50.3	46.7	46.4	-0.9%
- <i>Europe &amp; External Affairs</i>	13.8	14.8	14.4	16.8	6.8%
<b>Administration</b>	<b>241.4</b>	<b>239.2</b>	<b>237.4</b>	<b>236.2</b>	<b>-0.7%</b>
<b>Crown Office &amp; Procurator Fiscal Service (COPFS)</b>	<b>100.8</b>	<b>107.3</b>	<b>112.5</b>	<b>111.2</b>	<b>3.3%</b>
<b>Scottish Parliament Corporate Body (SPCB) &amp; Audit Scotland</b>	<b>106.9</b>	<b>107.1</b>	<b>107.5</b>	<b>107.6</b>	<b>0.2%</b>