

A solid orange right-angled triangle pointing downwards and to the right.

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee
The Scottish Parliament
Edinburgh
EH99 1SP

23 January 2024

Dear Convener,

Today the Scottish Fiscal Commission has published 'Spending trends in the 2024-25 Scottish Budget', giving new analysis of the Scottish Government's spending plans. We compare spending between 2022-23 and 2024-25 using the United Nations' Classification of the Functions of Government (COFOG) which classifies spending by function. It groups public spending into functional categories such as health, education, or public order. Classifications are standardised enabling comparisons over time and internationally.

By looking at the most recent spending position in 2022-23 and 2023-24, the analysis complements the Scottish Government's presentation which compares spending between years based on the position when Budgets were first set. This provides further insight into trends in devolved spending.

This new analysis shows spending on social protection, which covers the devolved social security payments, is the only category with steady and rapid growth, increasing in real terms by 28 per cent between 2022-23 and 2024-25. Spending on health has not kept up with inflation, mainly because its capital spending has fallen substantially, by 15 per cent in real terms between 2022-23 and 2024-25. Health resource spending, covering day to day costs such as wages, will be at the same level in real terms in 2024-25 as in 2022-23 after falling slightly in 2023-24. However, the big fall in capital spending means that, overall, the Scottish Government plans to spend less in real terms on health in 2024-25 than it did in 2022-23.

In undertaking this analysis we have uncovered a number of technical challenges which we discuss in detail in an Annex to the paper. We encourage the Scottish Government to publish and share with us spending data that enable more detailed analysis and note that their usefulness would be even greater if some of the complexities relating to their collection and presentation could be resolved.

I am happy to discuss any aspect of our analysis on spending and anything the Commission can do to aid the work of the Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Graeme Roy".

Professor Graeme Roy