

# **An Analysis of Public Expenditure on Children in Northern Ireland**

**By**

**Economic Research Institute for Northern Ireland  
(ERINI)**

**and**

**The Institute of Fiscal Studies (IFS)**

**Commissioned by NICCY, DFP, OFMDFM**



## ***Acknowledgements***

The Northern Ireland Commissioner for Children and Young People (NICCY), The Department of Finance and Personnel, and the Office of the First and Deputy First Minister would like to thank the staff from the Economic Research Institute for Northern Ireland, Angela McGowan and Victor Hewitt and the staff from the Institute for Fiscal Studies, Mike Brewer and Stuart Adam, James Browne, and David Phillips for the research and production of the work contained in this report.

In addition we would like to thank members of the steering group from DHSSPS, OFMDFM, DFP and NICCY and staff from DE who offered information and advice to the researchers.

Finally, but not least we would like to thank staff from Children in Northern Ireland, Save the Children, NSPCC, Barnardos, NIPPA and Child Poverty Action Group, who sat on the advisory group and offered comments on the draft reports.

## **Foreword**

BY THE NORTHERN IRELAND COMMISSIONER FOR CHILDREN AND YOUNG PEOPLE

My predecessor, the first Children's Commissioner Nigel Williams, on several occasions expressed concern that the outcome of the 2005 priorities and budget process would have negative implications on children's services in Northern Ireland. Nigel was concerned that it was not known how the Northern Ireland funding provision for children and young people compared to the rest of the UK. This is because children's and young people's services are provided through different funding structures in Northern Ireland relative to the rest of the UK and because the recording of expenditure is treated differently. Moreover, the integrated healthcare system operating in Northern Ireland makes it difficult to isolate specific beneficiaries. For this reason he initiated this research into expenditure into children's services in Northern Ireland.

In addition, on the last occasion that the UK Government reported to the United Nations Committee on the Rights of the Child, in 2002, the Committee concluded amongst its observations that "While noting the increased resources for the implementation of the Convention and some positive moves towards analysing budgets to identify the expenditures on children, the national objective to halve child poverty by 2010 and eradicate it within a generation and the strategies and policies to tackle child poverty and social exclusion through locally targeted services for children, the Committee remains concerned that the Convention is not implemented to the 'maximum extent of ... available resources' as stipulated by article 4 of the Convention. The Committee recommends that the State party undertake an analysis of all sectoral and total budgets across the State party and in the devolved administrations in order to show the proportion spent on children, identify priorities and allocate resources to the 'maximum extent of ... available resources'". Significant progress, however, has now been made in relation to the requirement to undertake an analysis of sectoral budgets to show the proportion of spending on children.

The research detailed in this report, into expenditure into children's services, commissioned as stated by my office, and supported through funding by NICCY, The Children and Young People's Unit at OFMDFM, and the Department of Finance and Personnel has begun the process of analysing budgets on children and young people in Northern Ireland. Where possible it makes comparisons with expenditure on children and young people in England Scotland and Wales.

The report presents information identified and critiqued by the Economic Research Institute of Northern Ireland (ERINI) and the Institute of Fiscal Studies (IFS). The ERINI research considers how public funding provision for children and young people in Northern Ireland compares with the rest of the UK. It specifically assesses if children and young people in greatest need have benefited (or otherwise) in comparison to their counterparts in the rest of the UK. The Departmental Expenditure Limit (DEL) examined by ERINI applies a three-year spending profile to those items of expenditure that can be controlled with a good degree of success. This includes most operational expenditure such as the wages and salaries of public sector employees and the purchase of goods and services by the public sector.

The IFS research identifies government spending on dependent children in Northern Ireland made through social security benefits and tax credits to households with children broadly, it will cover that part of public expenditure that counts as Annually Managed Expenditure (AME).

The research provides valuable and interesting information which must now be used to address inequities in allocation of government funding to meet the needs of children and young people in Northern Ireland in relation to tax and benefits, health, social care, education and housing needs in Northern Ireland. I believe that this research provides evidence to support my concerns that expenditure on children and young people should be targeted on need where it is not already.

In my role as Commissioner, in order to uphold the rights as identified in the Convention on the Rights of the Child, I urge the government – now the devolved administration – to take action to prioritise the needs of children and young people in legislation, policy and services. To enable this to happen adequate resources must be allocated to meet the needs of all children across Northern Ireland. We now have a unique opportunity, with the restoration of the Assembly to make this rhetoric a reality, let us together ensure this happens.

A handwritten signature in cursive script that reads "Patricia Lewsley".

Patricia Lewsley  
Northern Ireland Commissioner for Children and Young People

## **Contents** **Page**

Acknowledgements	2
Foreword	3
Executive Summary to Parts 1 and 2	7

### **Part 1 Spending on Children’s Services**

Acknowledgements	13
Executive Summary	15
Introduction	18
Section 1. Characteristics: Demography and Socio-Economic Factors	21
Section 2. The Public Expenditure System	34
Section 3. Health and Personal Social Services	39
Section 4. Education	54
Section 5. Housing	75
Conclusions	85
Annexes	88
References	101

### **Part 2 Government Financial Support for Children Across the United Kingdom: How Does Northern Ireland Compare?**

Acknowledgements	107
Executive Summary	109
Introduction	111
Section 1. The System of Child-Contingent Support	112
Section 2. The Characteristics of Families in Northern Ireland	128
Section 3. An Analysis of Child-Contingent Support	135

Conclusions	153
References	155
Appendix: Methodology and Modelling Strategy	157

# EXECUTIVE SUMMARY

## TO REPORT PARTS 1 AND 2

It is widely acknowledged that the overall level of services provided to children and the level of financial support made available to the households in which they live can have a significant impact upon a child's well-being. In turn, the well-being of children has significant ramifications for influencing and shaping society as well as promoting economic development in the future. From the policy perspective, there is a clear need to assess the overall levels of support currently made available to local children for two reasons. Firstly, policy makers must have some appreciation of the relative position of government support for Northern Ireland's children, i.e. - are they receiving as much support as children in the rest of the UK? If not, why not? Secondly, in order to adjust financial spending and fiscal support to suit the needs of local children (although flexibility surrounding the latter rests with HM Treasury); policy makers must have an understanding of the current baseline expenditure as well as child contingent support distributed through the welfare system. Without such knowledge it would be difficult to propose changes in expenditure priorities or fiscal support, monitor expenditure growth or ensure that spending and fiscal support are related to overall need.

The Office of the Commissioner for Children and Young People (NICCY) has invited the Economic Research Institute of Northern Ireland (ERINI) and the Institute for Fiscal Studies (IFS) to examine public expenditure and overall fiscal support (in terms of welfare payments and tax credits) dedicated to children and young people in Northern Ireland relative to their counterparts in the rest of the UK.

For research purposes the analysis of government's financial assistance has been separated into two separate reports: Part 1 direct public spending through government departments and Part 2 fiscal measures, i.e. welfare benefits and tax allowances. The ERINI carried out research into the first category and the IFS undertook to research the second category.

**Part 1** provides evidence on the comparative levels of public expenditure on children in Northern Ireland relative to counterparts in the rest of the UK. Analysis of lines of expenditure affecting children is limited to health, education and housing. An examination of public expenditure relating exclusively to children has not previously been undertaken in Northern Ireland but it is anticipated that for policy purposes, expenditure on children and young people will be more transparent in the future.

In **Part 2** the IFS have used micro-survey data from the *Family Resources Survey* and a tax and benefit simulation model to estimate the amount of child-contingent benefits that families receive. The report estimates how these benefits vary across country, family type and family size and considers how this has changed since 1997. The IFS study updates and expands Adam & Brewer (2004) and Adam, Brewer & Reed (2002) to include the period after 2003 and breaks down results by country.

The principal observations relating to these reports are highlighted below:

## Part 1: Spending on Children's Services

While this report provides detailed data on relative expenditure levels between UK regions, it should also be noted that drawing firm conclusions based solely on *relative* public expenditure for children is not practical. Ultimately a number of factors (such as need, economies of scale, rurality, and demography) will influence overall expenditure requirements irrespective of what other countries are spending. Essentially, Northern Ireland must aim to spend sufficient public money to ensure that the overall well-being of children is maximized subject to competing priorities.

### Health

- Average per capita expenditure for health in Northern Ireland is higher than elsewhere in the UK.
- When health services which directly affect children, (i.e. family health services and personal and social services) are examined, it was found that family health services expenditure in Northern Ireland was higher than in other regions – but this expenditure was inflated by the excessive cost of prescriptions per capita.
- With regard to social services expenditure on children and families, Northern Ireland spent less per child in 2004-05 when compared to England and Wales (approximately 28.6 per cent and 33 per cent less respectively).
- The proportion of Northern Ireland's personal and social services budget spent on children amounts to only 14.1 per cent compared to 24 per cent spent in England and 26.1 per cent spent in Wales.
- In terms of current funding being skewed towards those children and young people who are most in need, ERINI found that the average spend per child was greatest in HSS Trusts which contain a higher proportion of wards with elevated child poverty scores.

### Education

- Northern Ireland has a relatively large proportion of school-age children relative to other UK regions. In 2004–05 Northern Ireland spent £2,271 per primary school pupil and £3,424 per post-primary pupil.
- In 2004–05, Northern Ireland's primary pupils received less expenditure per head (17.2 per cent less) relative to counterparts in Wales. However, at the secondary level pupils in Northern Ireland had 0.5 per cent more spent on them relative to Welsh counterparts. Direct comparisons of educational expenditure between UK regions should always be treated with caution because of differences in levels of delegation and in arrangements for distribution of central funding. Unfortunately, directly comparable data for per pupil expenditure is not available for other UK regions.



- The Belfast Education and Library Board which has the highest proportion of children in greatest need (measured by free school meal entitlement, Special education needs etc). Relatively more TSN funding is skewed towards schools in this board reflecting the greater overall levels of need and, indeed, the proportion of schools with high levels of pupils identified as requiring support within these schools.
- Although the BELB receives approximately 27 per cent more per pupil for social deprivation when compared to the NEELB schools, there remains a problem for a large number of secondary school pupils in the Belfast area. The BELB's poor educational attainment levels for Secondary schools at Key Stage 3 are a key challenge for the Department of Education.
- While Northern Ireland statistics portray a picture of high achievement at GCSE levels relative to other regions, it is also significant that in 2005/06, 3.5 per cent of all pupils in NI left school with no formal qualifications, which is higher than the UK equivalent of 3 per cent.
- It is necessary to look beyond comparisons with England to evaluate how the education system in NI serves children and young people. While public expenditure levels are important, they should not be dictated by relativities. Local spending must reflect need, efficiencies as well as local unit costs.

## **Housing**

- Overall housing expenditure in Northern Ireland amounted to £238 per capita in 2004–05. In current prices for that year, this represents an increase of 36 per cent over the five years previous.
- Relative to housing expenditure in other UK regions, Northern Ireland has the highest per capita spend with 2004–05 expenditure approaching double the UK equivalent.
- Basic calculations show that Northern Ireland spends more on housing benefit per child than GB, other indicators suggest that need in Northern Ireland is greater than elsewhere because of higher levels of fuel poverty and homelessness.

## **Part 2: Government Financial Support for Children Across the United Kingdom: How Does Northern Ireland Compare?**

On average across the United Kingdom, financial support for children distributed through the social security benefit and tax credit systems has increased rapidly since 1997/8, from an average of £24.13 per week per child to £38.92 by 2006/7, a real-terms increase of 61 per cent. At the same time, the system of child-contingent support has seen an expansion of means testing and an increased first child-bias, and saw the role of employment-contingent support

first rise then fall. Means-tested benefits and tax credits now make up the majority of expenditure (over 60 per cent versus 40 per cent in 1997/8).

Families in Northern Ireland are subject to the same tax and benefit rules as those in the rest of the UK, but support per child and family can vary through differences in their families' characteristics. For example, since 1997, changes to child-contingent support have expanded means-testing, increased and then reduced the bias towards the first child, and altered the amount of child support that is contingent on paid work. The analysis uses survey data from the *Family Resources Survey* and a tax and benefit simulation model to investigate variation between families, between countries and over time. But one drawback of using micro-simulation is that it may under-estimate child contingent support, particularly for poorer families.

## ***Variability of Child Support across Regions and Families***

*Expenditure Growth:* Since 1997/8, spending on child-contingent support has grown fastest in Scotland, about the same rate in Wales and Northern Ireland and slowest in England. In 2006/7, expenditure per child was £39.28 in Northern Ireland versus a UK average of £38.92.

- However, there is much variation by family type.
- Expenditure per child is highest for 1 and 4+ child families, and lowest for 2 and 3 child families. Northern Ireland has the highest expenditure per child for 1 child families (£50.11) and the least per child in 4+ families (£38.55).
- Lone parent families in NI have seen a smaller rise in child-contingent support than the rest of the UK, but couples with children have seen a faster rise.

## ***Why the Amount of Child Contingent Support Received by Families in NI Differs from Other Parts of the UK***

Given that the rules for child-contingent support are the same across the UK, any variation in the average amount received by families in different countries must be due to the different characteristics of families with children. The most important of these seem to be that:

- Compared with the rest of the UK, family sizes tend to be larger in Northern Ireland.
- The proportion of all families with children who are lone parents is slightly lower in Northern Ireland compared to the rest of the UK. Lone parents in Northern Ireland have the same number of children, on average, as those in the rest of the UK, but are less likely to be in work.

- Couples with children in Northern Ireland have more children, on average, than the rest of the UK. Working patterns are fairly similar across the UK, on average, with around two thirds of couples with children having two working adults.
- Average private incomes among both lone parent families and couples with children in Northern Ireland are lower than in the rest of the UK
- Since 2002, growth in spending on child-contingent support has been lower in Northern Ireland than elsewhere in the United Kingdom. Amongst couples, this is partly due to the relatively high proportion of families receiving Carer's allowance, which saw a cut in its value for new claimants with dependent children after April 2003. The apparent slow growth in spending on child-contingent support in Northern Ireland since 2002/3 is partly a statistical artefact: the introduction of the working tax credit for those without children in 2003/4 means that some support received by couples with children is now conditional on having a low income, rather than on having children, and this statistical reclassification is more noticeable in Northern Ireland where wages are relative low, and so entitlement to working tax credit relatively high. For lone parents, explanation is more difficult, although the latter reason is also relevant for this group.