

# Wealthy Nation, Healthy Nation

A philosophy and policies  
for a prosperous Scotland

Edited by Malcolm Offord



Wealthy Nation  
Healthy Nation



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# Foreword

*By Malcolm Offord*

From 2021 to 2023, it was my great privilege to serve as Parliamentary Under-Secretary of State for Scotland. The record of that particular Scotland Office, led by Alister Jack, will be in the eye of the beholder. But without doubt it was the most engaged Scotland Office since devolution began in 1999, following which the mindset in Whitehall, under successive Labour and Conservative governments, had been to devolve and forget.

One of the key characteristics of our approach was to use our 'Levelling Up' agenda to engage directly with Scotland's 32 local authorities. This turned out to be a very instructive process, as it became clear through their feedback to us that they welcomed the attention, the ambition and the money that we provided from the UK Government in London, all of which they said were absent from the Scottish Government in Edinburgh.

It is that insight that has driven my publication of this wee pamphlet of essays as we reflect on the 25th anniversary of devolution. It has become clear, in my experience and in my conversations across political boundaries, that while Edinburgh calls for more powers to be devolved from London, this is not mirrored by Edinburgh passing down more powers to local authorities and communities throughout Scotland.

I am still relatively new to politics, having enjoyed a career in business prior to being appointed a Minister in 2021, but I was in the room long enough to experience both the satisfaction of being able to make a difference and the frustration of not being able to do more. It is very clear to me that politicians should be judged by only one criterion: have they improved the lives of the citizens they serve?

With that in mind, 2025 seems like a reasonable moment to leave tribal party politics at the door and assess whether 25 years of devolution in Scotland has met expectations and improved the quality of life of ordinary Scots, and how it might be changed to ensure that it does better in future.

Why the title 'Wealthy Nation, Healthy Nation'?

First, because we as Scots own the legacy of Adam Smith. Smith's 1776 masterpiece, 'The Wealth of Nations', today still outsells John Maynard Keynes and Milton Friedman combined. As a former Trade Minister, I am happy to say that Smith may be Scotland's greatest export, and we should ensure that we continue to learn from him here as they do in other nations throughout the world.

Second, because becoming a healthy nation, in all senses of the term, is both the purpose and the consequence of becoming a wealthy nation. For Smith, the purpose of wealth is not to be rich. The purpose of wealth is to enable us to live happier and healthier lives, including by paying for the public services which underpin our modern society.



This is my ambition for Scotland: to be the wealthiest, healthiest and best-educated part of the UK. To do that, we need to create a virtuous circle of entrepreneurship and economic growth, a high level of educational and employment opportunities, and healthy lives with a quality provision of healthcare, available when we need it.

This collection of papers suggests how we can create each element of this virtuous circle – economy, education and health.

Finally, my appeal to all political parties in the Scottish Parliament is this: during the next Parliamentary term, after the 2026 Holyrood election, let's all work to make devolved Scotland the most appealing place to live, work and raise a family in the UK. Let's compete with each other to generate the best ideas and make Scotland proud of its Parliament.

We should set aside the constitutional debate for a generation – as conceded by Alex Salmond in 2014 – and work together to make Scotland the most prosperous and best governed part of the UK. Only once that milestone is achieved might we have the constitutional debate once again. The Scottish people can then decide their future direction, but from a position of strength, not weakness.

In the meantime, let's all do better.

#### **About the author**

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# Reflections on devolution

*By Malcolm Offord*

The UK election last year also marked the 25th anniversary of the establishment of the Scottish Parliament. As such, it is a good time to assess how devolved government has performed in relation to the economy and certain public services during this period.

As someone who for the majority of this period has been in business and, therefore, an outside observer, I don't think it has lived up to the claims made for it by some of its strongest supporters.

In advance of the Scottish Parliament being set up, these claims led to expectations that it would transform Scotland for the better. Decisions being taken in Scotland, closer to the people affected, would automatically lead to better governance and better outcomes in relation to the economy and key public services such as education and health.

**‘ For those of us who value the institution of devolution, if not its performance, this is the time to intervene in order to improve it ’**

In many areas this has simply not happened, and in some areas, such as drug deaths and educational standards, things have definitely got worse. This is despite the fact that public spending has increased from 43% of GDP when the Scottish Parliament was established to a historic high of 52% of GDP in the latest figures, and 55% if North Sea oil is excluded.<sup>1</sup> Public polling now shows that around one in five people would like to see the Scottish Parliament scrapped. So for those of us who value the institution of devolution, if not its performance, this is the time to intervene in order to improve it.

With that in mind, the main aim of this and the other essays in this paper is not to simply outline where devolved government has not delivered the expected improvements, but to offer an explanation as to why it has not lived up to expectations and how we might do things better in the future.

In my view, two things in particular have held Scotland back over the last 25 years and need to be mitigated.

The first is the dominance of the constitutional debate, which has led to a maximisation of discussion on structures of government, and a minimisation of discussion on policy. Nationalists have sought to use devolution as a stepping stone towards full independence rather than a tool with which to improve people's lives; unionists, meanwhile, have responded by treating devolution as something to be tolerated as a mechanism to stop nationalism from expanding, rather than an opportunity to promote the day-to-day advantages of a devolved Union.

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<sup>1</sup> SFC, 'Fiscal Sustainability Report – April 2025' (April 2025). [Link](#)



The second is the social democratic mindset which has permeated Holyrood debate throughout devolution and which presumes that the key to economic progress, and indeed progress more generally, lies in the hands of Scottish Government ministers and central bureaucrats who should direct, manage and control things from Holyrood as they see fit.

## Constitution, constitution, constitution

The constitutional focus has been particularly dominant since the SNP came to power in 2007. This was true in the run-up to the 2014 independence referendum and the years thereafter and continues right up until the current time. It is damaging because it means that the Scottish Government starts off with completely the wrong objective. Instead of its primary focus being on using the powers at its disposal to deliver a stronger economy and better public services, everything has been skewed towards strengthening the case for full independence.

The harmful consequences of this are clear. The political debate in Scotland has been dominated by a constitutional argument about independence rather than a debate about how to improve the economy and public services. Whenever the Scottish Government's record in these and other areas is challenged, it refuses to take responsibility and defend its position. It just changes the subject and claims that its powers are inadequate to deal with the problem. For example, drug deaths in Scotland have been the highest in Europe throughout the SNP's time in government. Instead of taking responsibility for this and using the considerable powers they already have to address it, the SNP call for full control so that they can decriminalise drugs for personal use and extend legal drug consumption rooms.<sup>2</sup>

**‘It is clearly in the interests of people in Scotland for the Scottish and UK Governments to have a good relationship and work well together’**

The answer is almost always the full powers that come with independence or, at the very least, substantially enhanced powers in the policy area being discussed.

Not surprisingly, the SNP's focus on the constitution and independence has led to friction with the UK Government which, until recently, was a Conservative and Unionist one that took a very different position on the constitution.

It is clearly in the interests of people in Scotland for the Scottish and UK Governments to have a good relationship and work well together. But this is not necessarily in the SNP's interests. If it is to achieve its primary objective of full independence, then it needs to show that the current devolved settlement is broken and needs to be replaced.

This has led to the SNP seeking to manufacture grievances and hence to persuade people that the UK Government is operating in a high-handed manner and ignoring the Scottish Government's concerns. And it is combined with attempts to show that the Scottish Government is different and superior to the UK Government and that people in Scotland would be better off if only they could rid themselves of the government at Westminster. An example of this was the Scottish

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<sup>2</sup> See for instance: Scottish Government, 'Drug Law Reform proposals: Call for decriminalisation of personal supply' (7 July 2023). [Link](#)



Government adopting slightly more restrictive lockdown policies during the Covid pandemic in order to show they were protecting people in Scotland more effectively than the UK Government. Ultimately, the statistics showed that such differences had little effect as the impact of the disease in Scotland and England was very similar.<sup>3</sup>

A less obvious harmful effect of this focus on gaining independence is the need to create a majority for independence, which means not upsetting key interest groups such as trade unions. In many areas, such as education and health, necessary reform requires moving away from the status quo – which may mean taking on some vested interests. Despite occasionally promising radical reform, for example in education, the SNP has shied away from it in practice for fear of alienating influential groups and so undermining the cause of independence. As a result, a country whose educational standards used to be the envy of the UK now finds itself lagging behind.

However, the SNP cannot shoulder all of the blame for this concentration on the constitution, since the pro-UK parties at Holyrood have also played their part.

While it was totally reasonable for my party, the Scottish Conservatives, to oppose independence and argue for the benefits of the United Kingdom during and after the referendum, we must accept that this has been done to the exclusion of other important areas of debate. Defence of the United Kingdom has served the Conservatives extremely well electorally, but it has held back the policy development that Scotland so desperately needs. This is also true, albeit to a lesser extent because of its reduced electoral relevance, for Scottish Labour.

All parties in Scotland now need to focus, as a matter of urgency, not on the constitution, but on those vital economic and public service issues over which Holyrood has control.

**‘Defence of the United Kingdom has served the Conservatives extremely well electorally, but it has held back the policy development that Scotland so desperately needs’**

## The failed social democratic consensus

The second problem, the prevalence of a social democratic mindset, has in many ways been equally damaging. This has long been the dominant ideology in Scotland, reflected in the electoral successes of the Labour Party in the years before and immediately after devolution, and mirrored by the SNP when it came to power. It is characterised by an overconfidence in the power of the centralised state to direct the economy and public services effectively.

The main problem with this approach is that it is based on the principle that there is only one right way to achieve the government’s desired ends, so its advocates accumulate power and resources at the centre in order to put their plans into effect. The Scottish Government has used this centralised power to control how the economy and public services develop.

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3 ONS, ‘Comparisons of all-cause mortality between European countries and regions: 28 December 2019 to week ending 1 July 2022’ (20 December 2022). [Link](#)





While Scotland has grown faster than some other parts of the UK, this approach has simply not worked to deliver the economic opportunities and improved public services that people in Scotland expect. Increasingly, it has also relied on higher taxes and spending, which have further hindered economic growth and contributed to the failure to fulfil our economic potential.

It is no great surprise that this approach has not worked. The idea that there is one right answer that can be applied to different people and places around the country is one doomed to fail. As the Austrian economist Friedrich Hayek pointed out, governments simply do not possess the knowledge necessary to direct things effectively from the centre.<sup>4</sup> Nor could they ever attain such knowledge, which is dispersed widely throughout society. People and places are different, and sensible policy creates a framework which recognises this.

## Taking the politics out of the constitution, and the constitution out of politics

The fact that devolution has so far failed to deliver the improvements people expected must not be permitted to undermine the concept of devolution itself. It was naïve to believe that simply adopting devolution and setting up a Scottish Parliament would improve things. The devolved constitutional settlement still provides the basis for good governance in Scotland. What has failed is the political approach adopted by successive Scottish Governments, which have been guided by a focus on the constitution and social democratic assumptions that have held people in Scotland back.

**‘It was naïve to believe that simply adopting devolution and setting up a Scottish Parliament would improve things’**

What is required is a fresh political approach from every party. The current constitutional debate needs to be replaced with a more relaxed, but open approach.

Ideally, all parties would accept that another referendum is not going to happen any time soon, and that the devolved constitutional settlement set out in the Scotland Act, which divides powers between the UK and Scottish Governments, is the settled will of people in Scotland. It implicitly recognises that some things are better done at the UK level, such as foreign affairs, defence, immigration and nationality, constitutional matters and trade. Equally, it recognises that health, education, local government, justice, and economic development are best handled at Holyrood and that some policies, such as tax and welfare powers, are split between the two parliaments.

However, all parties, including my own Conservatives, should also accept that the division of powers between Westminster and Holyrood should not be set in stone. Two Acts amending the original Scotland Act, in 2012 and 2016, have already been passed at Westminster, and there is now a requirement for a sensible process to look at the respective powers of the two parliaments.

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4 See for example: F.A. Hayek, 'The Use of Knowledge in Society', in *Individualism and Economic Order* (1948).



For instance, we should be able to agree that Schedule 5 of the Scotland Act, all those areas reserved to Westminster and which means anything not included is automatically devolved to Holyrood, requires regular review, possibly once every 10 years, to ensure that the balance is appropriate.

Those decennial reviews would examine whether particular issues are better handled at Westminster as well as examining if there are areas where power should be devolved to Holyrood. This is necessary because circumstances change. For example, no one could have predicted Brexit, and new areas such as AI and hydrogen have gained in significance over recent years. These were not things that were considered when the Scotland Act was being drafted.

A process of this kind would separate day-to-day governance from the wider question of the respective powers of the two parliaments. Knowing that there was a separate process to look at constitutional issues on a regular basis, one that was not tied to either Holyrood or Westminster electoral cycles, would both encourage the Scottish Government to focus on delivery within its areas of responsibility, and encourage the opposition to hold them to account and develop new policy ideas.

**‘It is also absolutely essential that as many people as possible can benefit from rising prosperity, which is why the way we measure economic growth matters so much’**

## Reclaiming Scotland’s pro-growth heritage

However, the main purpose of the rest of the contributions to this paper is to set out an alternative to the social democratic idea that Holyrood knows best. This starts with a recognition that the role of the Scottish Government is vital but limited, as set out by the economic liberals of the Scottish Enlightenment and in particular Adam Smith.

Too often, this approach is caricatured as being anti-government. It is not. It is simply that the role of central government set out by Smith et al is very different in character to that envisaged by social democrats. Instead of using government’s power and resources to control, direct and manage the economy and public services, the liberalism of Adam Smith sought to create an environment conducive to economic growth and progress more generally.

To Smith, this meant creating the right institutional framework within which people could interact with one another in a way which benefited society as a whole. This is summed up in his quote that ‘Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things.’<sup>5</sup>

This process is referred to by Smith as an ‘invisible hand’ whereby people promote a socially beneficial end that is an unintended consequence of their actions. Smith’s insight has been developed and expanded by others, notably Hayek, into a theory of how progress comes about through this process of spontaneous order.

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5 ‘Front Matter’, in A. Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations* vol. 1, ed. E. Cannan (1994).



It is my firm view that this offers a surer route to economic and societal progress than the social democratic alternative. This is because it does not believe there is only one way of achieving such progress that can be imposed on society. Instead, it trusts people and communities and gives them the ability to follow their own paths. Not all will be successful, but this process of trial and error is still the best way to discover improvements and foster the common good.

The contributors to this collection apply these timeless principles to some of the main challenges facing modern Scotland, with the objective of setting out how we might create an environment that better encourages a wealthy and healthy nation. People from different parts of the political spectrum sometimes question the importance of economic growth. So-called de-growthers dismiss it entirely and others simply think other things are more important. While there are clearly other things that go to make up a good society, as Smith himself emphasised, economic growth is still absolutely vital to the wellbeing of people and society as a whole.

**‘Scotland has the natural resources, the capital and most importantly the people it needs to succeed in abundance; it just needs the right policy to translate these advantages into higher living standards’**

However, this is not just about material wellbeing, although raising people’s living standards is important in its own right. As the title of this collection of essays – ‘Wealthy Nation, Healthy Nation’ – recognises, economic growth is linked to many of the other things that go to make up a flourishing and healthy society, such as life expectancy, infant mortality rates, academic achievement and general happiness.

It is also absolutely essential that as many people as possible can benefit from rising prosperity, which is why the way we measure economic growth matters so much. A simple measure of overall GDP does not capture this. I believe strongly that we should focus on GDP per capita and set specific targets to increase this in Scotland.

The rest of the essays in this publication look at specific areas of policy that play an important role in creating the wealthy, healthy society that we all wish to see. The first, by Dr Anton Howes, examines how Scotland became a wealthy nation in the first place and the lessons we can learn from our own history.

It is now a commonplace that Scotland became wealthy because of its great public services – in particular its highly educated workforce. Howes argues convincingly that it was actually the other way round: Scotland had great schools because its economic institutions enabled prosperity and therefore spending on public goods.

The second essay, by Dr Gerard Lyons, looks at how we can improve our economic performance and formulate an economic strategy that enhances our GDP per capita in the 21st century. Scotland has the natural resources, the capital and most importantly the people it needs to succeed in abundance; it just needs the right policy to translate these advantages into higher living standards. First and foremost that means getting the foundations right – on tax and spend, on macroeconomic stability and on enterprise and competitiveness. In my view, Scotland can and should be the best place to start a business and create jobs, and the fastest-growing part of the United Kingdom.



The final two contributions, written by those with first-hand, frontline experience, set out how we can make our key public services more productive so that they deliver better outcomes for all those using them. In his essay, Councillor Tim Jones details an agenda for school reform in Scotland with 23 specific recommendations. In his prescription, decentralisation of provision whilst ensuring a core, knowledge-rich curriculum – trusting teachers and parents, and not central bureaucrats and politicians in Holyrood – is the key to restoring Scotland’s educational greatness.

**‘ I firmly believe that with the sort of radical, pro-growth policy agenda outlined in these essays, we can use devolution to improve the lives of everyone in Scotland, putting more money in peoples’ pockets while significantly improving public services ’**

Meanwhile, in their essay, Prof Alan McNeill and seven other experienced clinicians present a plan to reverse the decline of the NHS in Scotland, one that learns from the best of international practice. They take particular inspiration from the Swedish and German healthcare systems, which are far less centralised than the NHS in Scotland (or indeed in England), and which have far better outcomes for patients for roughly the same amount of funding. The authors have eight specific recommendations for getting the NHS in Scotland back on its feet.

I firmly believe that with the sort of radical, pro-growth policy agenda outlined in these essays, we can use devolution to improve the lives of everyone in Scotland, putting more money in peoples’ pockets while significantly improving public services.



# How Scotland became a wealthy nation

*By Dr Anton Howes*

Scotland once punched far, far above its weight. In the 16th century, despite having a population under a quarter the size of its neighbour, England, whose king Henry VIII tried repeatedly to subdue it, it was the smaller nation that prevailed. It is the blood of the cunning and patient James VI and I, and not of the forceful Henry, that has flowed through the veins of Britain's monarchs ever since.

And once James came to rule both nations, it was the less numerous Scots who most vigorously took advantage of the opportunities of a united Britain and the empire it acquired over the next 200 years. It was George and Thomas Simpson, and John Rae, who finally found the North-West Passage. It was David Livingstone – who had once worked as a child in a cotton mill – who pursued the source of the Nile, and whose heart was famously buried in Africa. It was a Glaswegian, James A MacDonald, who became the first prime minister of an independent Canada.

**‘Beyond the grasping of opportunities for exploration and administration, however, tiny Scotland was most remarkable for its originality, as a seedbed of globally significant ideas’**

Beyond the grasping of opportunities for exploration and administration, however, tiny Scotland was most remarkable for its originality, as a seedbed of globally significant ideas. From anatomy to zoology, and everything between – botany, economics, electromagnetism, mechanical engineering, medicine, telecommunications and more – Scots have been unusually prolific and groundbreaking contributors to the field.

Take even a single field like thermodynamics. Joseph Black, educated at the University of Glasgow and a professor at Edinburgh, established its foundations with the theory of latent heat. William Thomson, later Lord Kelvin, helped formulate thermodynamics' first and second laws at Glasgow. Or take civil engineering. John Loudon McAdam revolutionised road-building; Thomas Telford built canals to cross rivers using cast-iron aqueducts; Robert Stevenson transformed the safety of our coastlines thanks to his work on lighthouses and their lights. Not to mention John Rennie, William Fairbairn, and hundreds more.

Why have Scots been so overrepresented among the annals of every field?



## Scotland's economic take-off

One common refrain in explaining Scotland's outsize success is that, thanks to the rise of Calvinism in the 1560s, and the subsequent establishment of a country-wide system of tax-funded schools, Scots were unusually literate. With better education, the thinking goes, the Scots were better able to pursue opportunities.

But the laudable intentions of Kirk and State did not automatically translate into results. In the 18th century literacy rates among men were hardly different to those of England, which lacked any such purposeful system of education, and still much lower among women.<sup>1</sup> Only in the 1870s, by which time Scotland had long been punching well above its weight, were its literacy rates appreciably any better, and by then the advantages were slim – 90% literacy among Scottish men, compared to 80% to the south.<sup>2</sup>

**‘ Scots became literate because  
in the late 18th century they were  
increasingly able to afford it ’**

Even in the 19th century, however, fewer than a third of Scottish schoolchildren were being educated in the tax-funded schools, the vast majority instead being taught in private, fee-paying schools.<sup>3</sup> To the extent that the spread of literacy was a factor at all in Scottish success, then, it was one that owed its origins to Scots' ability to pay. Scots became literate because in the late 18th century they were increasingly able to afford it. They were able to punch above their weight because of their growing, newfound wealth.

That wealth was far from inevitable. Scotland before the 1740s was significantly poorer than England. Overwhelmingly agrarian, in good years it exported grain, along with fish, hides, skins, wool, cattle, coal, kelp and salt, but with much of the population scratching a living at the very edge of subsistence.<sup>4</sup>

Scotland was also the last part of Britain to banish famine, unemployment was often rife, and insufficient coin often forced its population to resort to barter and payment of wages and rents in kind.<sup>5</sup> Scottish society was vastly unequal, with a tiny handful of aristocrats owning almost all the land, and with the vast bulk of the population occupying it without proper leases, liable to eviction or rent raises at the drop of a hat when the demand for their goods either fell or rose.

With the markets for the goods on which people depended being both fragile and small, there was hardly a middle class of artisans, merchants, and urban professionals in between. As an English spy reported in 1580, merchants and artisans were 'few and mean for wealth by reason of the small exportation which the country affords', manufacturers had 'but small trading by reason that the people are but poor and accustomed to live hardly, without much variety of diet, apparel, etc', and those who worked the land were largely serfs at subsistence, paying to the lord

1 R. Houston, 'The Literacy Myth?: Illiteracy in Scotland 1630-1760', *Past & Present*, no. 96 (1982), pp.81–102

2 R. Houston, *Literacy in Early Modern Europe* (2014), p.2.

3 R. Houston, 'The Literacy Campaign in Scotland, 1560-1803', in *National Literacy Campaigns: Historical and Comparative Perspectives*, ed. R.F. Arnove & H.J. Graff (2013), p.57.

4 E. Richards, *The Highland Clearances: People, Landlords and Rural Turmoil* (2002), p.37.

5 S. G. Checkland, *Scottish Banking: A History, 1695-1973* (1975), pp.3-20.



'all the commodities that rise from their labours to him, reserving to themselves at the year's end, in a manner, nothing else but to live'.<sup>6</sup>

Even after the creation of the Union in 1707, and the opportunities that this brought in terms of freely exporting to England and its empire, the economic gap remained wide. There was every chance that the pull of London, as a place for Scotland's landlords to live and spend their rents, could have prevented that wealth being reinvested in Scottish enterprise, siphoning it away.

But by the 1740s, the first signs could be seen of a spectacular change. Glasgow, whose merchants had long ago carved out a respectable share of the tobacco imported to Britain from Virginia, suddenly and rapidly came to dominate the trade. From controlling just 10% of tobacco imports in 1738, it had just 20 years later surpassed gargantuan London. By 1769, another 10 years later, it accounted for more than every other British port combined, while all the time the total amounts of tobacco imported grew and grew.<sup>7</sup> Contemporaries estimated that the Clyde's shipping tonnage increased more than tenfold.<sup>8</sup>

**‘In the century after 1750 Scotland became the most rapidly urbanising region in the world, soon employing a greater proportion of the male workforce in industry than even England’**

Edinburgh, meanwhile, saw its shops fill with luxuries, and its university become a centre of excellence in medicine and chemistry, drawing students from across north-western Europe, while the city itself expanded, elegantly, with the building of the New Town.

Other urban centres, like Dundee, Paisley and Perth, grew rich and large from the manufacture of linen, and later cotton, while in the century after 1750 Scotland became the most rapidly urbanising region in the world, soon employing a greater proportion of the male workforce in industry than even England.<sup>9</sup> Having accounted for about a tenth of British output in the 1820s, by the 1850s Scotland accounted for over a fifth.<sup>10</sup>

The countryside also rapidly transformed, as landlords in first the Lowlands and the Borders, and then, most infamously, in the Highlands, ruthlessly reorganised and expanded their farms to be as efficient and profitable as possible, eliminating employment for all but a fraction of the workers they had had before. Lowland farms were soon a wonder to even the English, long used to rapid agricultural change, becoming – in the words of one 1830s visitor – vast ‘factories for making corn and meat’.<sup>11</sup>

6 'Elizabeth: December 1580', in *Calendar of State Papers, Scotland: Volume 5, 1574-81*, ed. W.K. Boyd (1907), British History Online [https://www.british-history.ac.uk/cal-state-papers/scotland/vol5/pp544-569 accessed 7 May 2025].

7 J.M. Price, 'The Rise of Glasgow in the Chesapeake Tobacco Trade, 1707-1775', *The William and Mary Quarterly* 11, no. 2 (1954), pp.179–99.

8 H. Harris, "'Our Practice Has a Superiority:' Debt Enforcement, Bills of Exchange, and Credit in Eighteenth-Century Glasgow', *American Journal of Legal History* 63, no. 2 (2023), pp.150–74.

9 T. M. Devine, *The Scottish Clearances: A History of the Dispossessed, 1600-1900* (2018), pp.108, 122. Devine notes that in 1750-1850 it was the fastest urbanising region in Europe, rather than the world, but I can think of no place outside of Europe that could have been urbanising as quickly.

10 C.A. Whatley, *The Industrial Revolution in Scotland* (1997), p.30.

11 William Cobbett, as cited in Devine, *The Scottish Clearances*, p.126.





For many of those who lived through it, such as the agricultural labourers who faced eviction in the name of improvement, or the slaves on American plantations who grew the tobacco with Scots linen on their backs, Scotland's transformations were painful, or even strictly for the worse.

Yet all the transformations, for better and worse, all had a common root – a factor that made possible the sheer pace of Scotland's simultaneous agricultural, industrial and urban revolutions, squeezing into the space of just a few decades what had taken England at least a century and a half, and then allowing it to grow even faster still. Each of the changes required extraordinary levels of investment, which was only made possible because despite the Union, Scotland retained a difference in law and institutions that made it uniquely supportive of raising and deploying of capital.

**‘ Scottish banks started up with more capital, grew faster, drew on a much deeper pool of investors, and were significantly more stable and resilient to shocks ’**

## Banking brilliance

South of the border there was only a single chartered bank – the Bank of England – along with lots of tiny, unchartered banking partnerships outside of London. In Scotland, however, there were not only three chartered banks competing with one another in Edinburgh alone by 1750, but the unchartered partnerships in the rest of the country were able to grow into extensive operations covering whole regions, a few of them soon outcompeting chartered banks.

Whereas in England a company needed a royal charter or a special Act of Parliament in order to be a distinct legal entity, with partnerships according to English common law being no more than the sum of their parts, Scots law instead enabled unchartered firms to be distinct from their owners in lots of important ways, able to outlast the partners who died or went bankrupt, with shares able to be easily traded or transferred, and profits to be preserved for reinvestment in the firm rather than being dissipated in dividends. As a result, even the unchartered banks in Scotland could have dozens or even hundreds of partners drawn from across the upper and middle classes, whereas their average equivalent in England had just three.<sup>12</sup>

Scottish banks started up with more capital, grew faster, drew on a much deeper pool of investors, and were significantly more stable and resilient to shocks. And in all having to compete with one another they offered financial services that were unheard of south of the border – they had local branches, paid interest on deposits, and readily offered short-term loans on personal security rather than just on land. The second of the chartered banks, the Royal Bank of Scotland, seems to have been the first bank in the world to have ever offered overdrafts, from 1728, called the

<sup>12</sup> An act of 1708, designed to shore up the Bank of England's monopoly, banned its unchartered competitors from having more than six partners. This is often pointed to as a major difference between England and Scotland, but it does not seem to have been the main constraint in England, as only a tiny minority of English banks ever reached even five or six partners, let alone attempting to have more. See: G.G. Acheson, C.R. Hickson & J.D. Turner, 'Organisational Flexibility and Governance in a Civil-Law Regime: Scottish Partnership Banks during the Industrial Revolution', *Business History*, 53.4 (2011), pp. 505–29. They convincingly argue that the much bigger constraint was in how the English common law treated partnerships.





'cash credit' system.<sup>13</sup> And in the 1810s Scotland developed the savings bank, which paid interest on even the tiny deposits of artisans and labourers.<sup>14</sup>

The Scottish banks also issued plentiful banknotes in small denominations that were able to circulate in the economy as currency,<sup>15</sup> finally satiating Scotland's decades-long want of coin. Indeed, Scots law made it much quicker and easier than in England to enforce all sorts of debts.<sup>16</sup> With creditors made confident, they were much more willing to lend, making more capital available to grease commerce's wheels.

**‘ Although it's often said that slavery and colonialism funded Glasgow's growth, it was largely the other way round: the Atlantic economy's heyday was built on the savings of Scots ’**

## Capital, trade and empire

It was thanks to this capital advantage that Glaswegian merchants were able to both out-borrow and out-invest their competitors in the English ports, rising above Whitehaven, Liverpool and even London.

Glaswegian merchants could afford to invest in much larger ships, taking advantage of economies of scale, as well as in building their own warehouses in Virginia to buy up the tobacco before the ships had even arrived. They could also afford to sell an increasingly varied array of European goods to the tobacco planters at rock-bottom prices, and on generous credit, sometimes even lending the planters cash so that they could secure their eventual tobacco crop.

And when the Virginian tobacco planters all defaulted during the American Revolution, and the warehouses were all seized, Glasgow's merchants were so well-capitalised that they could largely take the loss, and simply switch to dominating the trade in Caribbean sugar and cotton in the same ways instead.

Indeed, by out-lending their competitors in order to capture the trade, and so allowing planters to clear land and buy slaves before they'd even grown their crop, Glasgow's merchants provided the capital that enabled the plantations of first Virginia and then the Caribbean to so rapidly expand.<sup>17</sup> Although it's often said that slavery and colonialism funded Glasgow's growth, it was largely the other way round: the Atlantic economy's heyday was built on the savings of Scots.

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<sup>13</sup> Checkland, *Scottish Banking*, p.63.

<sup>14</sup> *Ibid.*, p.283.

<sup>15</sup> A key breakthrough here was a 1749 decision by the Court of Session, after which banknotes with denominations as low as a shilling began to circulate. A limit of £1 was imposed by statute in 1765, which being welcomed by the incumbent banks is sometimes portrayed as evidence of being a prudent policy, though Tyler Goodspeed provides evidence that this was supported by them as a self-interested and anti-competitive measure, bad for consumers and making the system less stable. When the British parliament considered raising the limit further, to £5, however, this was protested by the Scottish banks and Scotland was exempted from statutes of 1775 and 1777, until the limit was lowered again in England and Wales to £1 in 1797. See T. Goodspeed, *Legislating Instability: Adam Smith, Free Banking, and the Financial Crisis of 1772* (2016).

<sup>16</sup> Harris, "Our Practice Has a Superiority", pp.150-174.

<sup>17</sup> T. M. Devine, 'Sources of Capital for the Glasgow Tobacco Trade, c. 1740-1780', *Business History*, 16, no.2 (1974), pp. 113-29; T. M. Devine, 'The Colonial Trades and Industrial Investment in Scotland, c. 1700-1815', *The Economic History Review* 29, no.1 (1976), pp.1-13; J.M. Price, 'The Economic Growth of the Chesapeake and the European Market, 1697-1775', *The Journal of Economic History* 24, no.4 (1964), pp. 496-511.



As to Scotland's own exports, particularly linen and later cotton cloth, these likewise owed their success to Scotland's extraordinary ability to marshal capital. In the early 18th century the Scottish linen industry faced fierce competition from Germany, the Netherlands and Ireland, especially as it produced hardly any flax of its own, having to import it from the Baltic. Yet when the British Parliament instituted export subsidies for linen in the 1740s, merchants in Edinburgh seized on the opportunity, forming the British Linen Company in 1746. It began by raising an enormous amount of equity, most of it subscribed from within Scotland itself, to immediately make it one of the best-capitalised firms in Britain – an advantage compounded by making use of the newfangled overdrafts to meet its short-term needs and borrowing extensively by issuing promissory notes, with its lenders including even kirk parishes and hospitals.<sup>18</sup>

Although it began as a manufacturer, the British Linen Company soon discovered that its main advantages were in marketing and credit. In the face of razor-thin profit margins, and by bearing the costs of transporting linen to London for sale, it managed to carve out a market for Scottish linens abroad. But most importantly, by extending credit to linen manufacturers – even at its peak, the company never made more than a tenth of Scottish linen itself – it allowed the industry as a whole to grow.

**‘ When new industries were invented,  
Scottish capital ensured that Scotland  
pursued the opportunity on a large scale ’**

By the 1770s, the firm had concentrated on its strengths and become entirely a bank. Just as the credit advanced by Glasgow merchants had allowed for tobacco and sugar plantations in America and the Caribbean to expand ahead of each crop season, the credit advanced by the British Linen Company allowed for the creation of bleach-fields, and for cloth manufacturers in Scotland to invest in stocks of foreign flax to take to the women who spun for them in the countryside, to pay them for the yarn to take to the weavers, and to pay the weavers for their cloth, all before the cloth was actually sold.<sup>19</sup>

Much the same can be said of how Scotland assembled the capital for its mills, mines, ironworks, farms, and a host of other trades,<sup>20</sup> as well as how it built its infrastructure – from harbours, bridges, canals and later railways, to city water supplies, street paving, hospitals and civic buildings. And when new industries were invented, Scottish capital ensured that Scotland pursued the opportunity on a large scale. The St Rollox chemical works in Glasgow, founded by a former weaver and bleacher, Charles Tennant, was in the 1830s and 40s reputedly the largest heavy chemical plant in the world.<sup>21</sup>

18 A.J. Durie, *The Scottish Linen Industry in the Eighteenth Century* (1979), pp.115-120.

19 Ibid., pp.138-140.

20 Checkland, *Scottish Banking*, pp.231-233

21 Whatley, *The Industrial Revolution in Scotland*, p.30



## Entrepreneurial instincts

Even more fundamentally than facilitating capital investment, Scotland's unique financial system in the late 18th and early 19th centuries made it possible for ambitious individuals to borrow even when they owned no land, based only on the personal security of themselves and their guarantors, and so to raise the capital that merely their reputation, skill and acumen might command. Scotland was thus uniquely supportive of the ambitious 'lad o' pairts', or of the artisan with a new idea for an invention, who wanted only capital to make it real. It was the obvious place, thanks to Samuel Smiles in the 1850s, to have spawned the entire literary genre of self-help.

**‘As the benefits of Scotland’s financial system became increasingly obvious, it was soon regarded with envy elsewhere – especially to the south’**

As the benefits of Scotland's financial system became increasingly obvious, it was soon regarded with envy elsewhere – especially to the south. The core elements of its banking system were extended by legislation to the rest of the UK in the 1820s,<sup>22</sup> and there were attempts in the 1850s to do the same for its debt-enforcement provisions, though these failed to get voted through.<sup>23</sup> So Scotland eventually lost most, though not all, of its edge in marshalling wealth.

Yet it retains that capacity to be different, more so now than even then, and to school the rest of the UK in how to become a wealthy nation.

### About the author

*Anton Howes is an independent historian who lives in Edinburgh. He writes a popular newsletter, *Age of Invention*, and is currently writing a book on the causes of the British Industrial Revolution. He is the historian of the Royal Society for the Encouragement of Arts, Manufactures and Commerce, which was the subject of his first book. He is also a visiting fellow at King's College London, where he was previously lecturer in Economic History, and where he received his doctorate.*

<sup>22</sup> C.W. Munn, 'The Emergence of Joint-Stock Banking in the British Isles a Comparative Approach', *Business History*, 30, no.1 (1988), pp.69–83.

<sup>23</sup> See Harris for details.



# How Scotland can become a wealthier nation

*By Dr Gerard Lyons*

The buck now stops in Holyrood. After more than two decades of expanding powers, Scotland's economic challenges can no longer be blamed on Westminster. The task is clear: rein in public spending to arrest a worsening fiscal position, and pursue a pro-growth strategy that creates the conditions for private-sector-led expansion, with enterprise once again the true driver. Without this shift, prosperity will erode.

This essay is divided into three main sections.

First, the current state of play. Scotland enjoys high income per head and productivity above the UK average, but growth has slowed markedly since the 2008 financial crisis. Its anchor sectors – finance in Edinburgh and energy in Aberdeen – are losing ground. Regional disparities persist and Scotland must move to secure its place in the next wave of growth industries.

**‘Fiscal discipline is urgent: the budget deficit is widening and spending must be brought under control’**

Second, the policy record since devolution. More economic powers have been ceded to Scotland, but direction has been lacking, with greater intrusion from government.

Third, the proposed policy response. Fiscal discipline is urgent: the budget deficit is widening and spending must be brought under control. The Barnett Formula is overdue for reform. A credible supply-side agenda is essential to lift long-term growth. And while monetary policy should remain with the Bank of England, Scotland's influence should be strengthened through the appointment of a Deputy Governor dedicated to Scotland and its financial sector.

## 1. The state of the economy

Since the 2008 global financial crisis, Scotland's trend rate of growth has slowed significantly. From devolution until that crisis, growth was a healthy 2.2% in real terms (after allowing for inflation). Since 2008, average growth has been 0.7%. Yet growth was 0.5% in 2023 and 1.2% last year. GDP per head grew just 0.3% last year, reflecting little increase in living standards.

So far this year, growth has continued to disappoint: up 0.4% in the first quarter,<sup>1</sup> 1.1% higher than a year earlier. Monthly GDP rose 0.1% in April and fell 0.2% in May, meaning the economy contracted by 0.4% in the three months to May.<sup>2</sup> The Fraser of Allander

1 Scottish Government, 'GDP First Quarterly Estimate 2025 Q1 (January to March)', Chief Economist Directorate (28 May 2025). [Link](#)

2 Scottish Government, 'GDP Monthly Estimate: May 2025', Chief Economist Directorate (30 July 2025). [Link](#)



(FAI)'s April Business Monitor noted that nearly three quarters of firms expect the recent National Insurance increase 'to significantly impact their operations'. The FAI is forecasting modest growth of 0.9% this year, followed by 1.1% in 2026 and 2027.

Official growth forecasts from the Scottish Fiscal Commission (SFC) similarly expect modest growth in the next couple of years, up 1.2% in both 2024/25 and 2025/26 before a return to growth of around 1.66% over the remainder of the decade.<sup>3</sup> The latest official forecasts are shown in the table.<sup>4</sup> These lean on higher migration and population growth.<sup>5</sup> And if, as seems likely, these growth forecasts prove optimistic, then the fiscal projections built on them will be vulnerable.<sup>6</sup>

Another concern is that inflation remains stubborn. It may peak around 4.0% in Q3,<sup>7</sup> eating into people's standard of living, before, the SFC optimistically perhaps, assumes it will hit the 2% inflation target in future years.

**‘ From devolution until the financial crisis, growth was a healthy 2.2% in real terms (after allowing for inflation). Since 2008, average growth has been 0.7% ’**

What about the structure of the economy? Scotland's onshore GDP is dominated by services (77% of GDP) and within this business and financial services (30%) and the government sector (26%), are particularly important. Production is 16%, and within this manufacturing is 10% of GDP. The picture is completed by construction (6%) and agriculture, forestry and food (2%).

It is not only Scotland's modest pace of growth that matters. A long-standing feature of the Scottish economy is a sizeable net outflow of income, reflecting foreign ownership in North Sea oil and gas and payments by its large insurance, asset management and pension industries to policyholders who reside outside of Scotland. This reduces its Gross National Income (GNI) to be persistently below GDP, meaning domestic residents earn less and that GDP per head risks overstating living standards. GNI was 94.4% of GDP in 2021. The policy challenge is to anchor ownership, supply chains and headquarters more firmly in Scotland, to reduce these outflows.

Scotland is also unlikely to be immune to the migration trends impacting the rest of the UK. In March the National Records of Scotland<sup>8</sup> reported that net migration into Scotland rose from 22,200 in the year to mid-2021, to 61,600 in the year to mid-2023. This is largely due to international migration. Average net migration from other parts of the UK has been stable over the last decade, averaging 10,000 people. It was higher in the year to mid-2023, at 13,900 people. Such flows add to pressure on housing and public services.

3 The SFC comprises Professor Graeme Roy, Professor Francis Breedon, Professor Domenico Lombardi and Professor David Ulph who act in an independent capacity.

4 SFC, 'Scotland's Economic and Fiscal Forecasts' (May 2025). [Link](#)

5 This is consistent with the higher migration and faster population projections published in January 2025 by the Office for National Statistics. See: ONS, 'National population projections: 2022-based' (28 January 2025).

6 In their August 2024 Forecast Evaluation Report, the SFC point out that since their first forecast in December 2017, the average one-year forecast error has been 0.3% excluding Covid, and -0.9% with Covid. So, excluding Covid the one year ahead forecast for growth has been too optimistic by 0.3%. See: SFC, 'Forecast Evaluation Report' (August 2024).

7 On page 36 of their May SEFF, the SFC talked of a peak of 3.7% in Q3. The Bank of England August Monetary Policy Report said inflation would peak at 4% in September in the UK. The latest CPI data for July was 3.8% and it may peak above BOE projections.

8 'Migration flows', National Records of Scotland (25 March 2025). [Link](#)



## The latest official projections from the Scottish Fiscal Commission in June 2025

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
<b>GDP</b>	1.2%	1.2%	1.8%	1.7%	1.6%	1.6%	1.6%
<b>CPI inflation</b>	2.3%	3.2%	1.9%	2.0%	2.0%	2.0%	2.0%
<b>Average nominal earnings</b>	4.5%	3.7%	2.9%	3.0%	2.9%	3.0%	3.0%
<b>Average real earnings</b>	1.6%	1.0%	0.9%	1.0%	0.9%	0.9%	1.0%
<b>Employment</b>	0.2%	0.1%	0.6%	0.5%	0.4%	0.4%	0.4%
<b>Unemployment rate</b>	3.7%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%

Source: Scotland's Economic and Fiscal Forecasts Update, June 2025<sup>9</sup>

## The productivity challenge and regional growth

Since devolution, GDP per head has risen from £15,758 in 1999 to £37,192 in 2023, broadly in line with the UK, which rose from £17,777 to £39,845. Scotland ranks third among the UK's 12 regions in terms of GDP per person, behind only London (£69,077) and the South East (£41,319).<sup>10</sup> Another positive, as the Productivity Institute reported in January 2025,<sup>11</sup> is that Scotland's productivity continued to outperform other regions of the UK between 2008 and 2023, recording average annual labour productivity growth of 1.0%, compared with 0.4% for the UK.

Yet challenges are increasingly apparent, such as the lack of business growth, skills gaps and disparities in regional productivity. The Productivity Institute noted that a 'significant challenge is the persistently low rate of business start-ups, which lags the rest of the UK by 150 companies per 10,000 residents. Like the rest of the UK, the majority of Scotland's business base is clustered at low levels of productivity.'

Edinburgh and eastern Scotland's financial cluster and the North-East's energy economy, centred on Aberdeen, have historically driven productivity. By contrast, Glasgow and parts of the west have continued to grapple with post-industrial legacies. Glasgow continues to underperform, with too many adults lacking qualifications.<sup>12</sup> The rural and island areas, meanwhile, face infrastructure and connectivity issues, plus population decline, while Scotland's symbolically important fishing industry has continued to suffer. In other words, while Scotland's productivity has exceeded the UK's, the outlook points to modest growth, persistent regional challenges and both anchor sectors facing significant headwinds.

On that front, Edinburgh remains Scotland's financial powerhouse, but pressures are mounting. The Office of the Chief Economic Adviser noted in June 2025 that 'employment in the financial and business services sector stood at 226,000 in 2023, accounting for 8.5% of employment in Scotland and 6.5% across Great Britain. Employment in this sector decreased by 5.0% over the latest year in Scotland'.

<sup>9</sup> SFC, 'Scotland's Economic and Fiscal Forecasts Update – June 2025' (June 2025). [Link](#)

<sup>10</sup> This ONS data was released in April 2025 and relates to 2023: ONS, 'Regional economic activity by gross domestic product, UK: 1998 to 2023' (17 April 2025). [Link](#)

<sup>11</sup> D. Williams et al, 'Scotland's Productivity Challenge: Exploring the issues – 2025', The Productivity Institute (January 2025), esp. pp.9-10.

<sup>12</sup> ONS, 'No qualifications' (16 April 2024). [Link](#)





Edinburgh's international standing has also weakened: ranked 15th globally before the 2008 crisis, it has since slipped to 29th (10th in Europe) in the Global Financial Centres Index.<sup>13</sup> Glasgow, while not internationally recognised, is currently ranked 32nd. It is Edinburgh's low position, not Glasgow's proximity, that should be the focus of concern.

Edinburgh is trying to strengthen its role as a hub for green finance, still retains world-class life insurance, pensions and asset management industries and its back-office and asset-servicing functions have expanded. But consolidation over recent decades has steadily reduced high-value jobs, while parts of investment management remain under pressure. Reversing this drift and restoring Edinburgh's place among Europe's leading financial centres should be a national priority.

**‘ While renewables are seen as a major future growth area, Scotland's hydrocarbons sector still remains important ’**

Aberdeen tells a parallel story of strength giving way to vulnerability. Oil and gas production has fallen sharply this century: from 187.8 million tonnes of oil equivalent (mtoe) in 1999 to just 58.3 mtoe in 2023.<sup>14</sup> Scotland's share of UK output has also declined, from 75% to 63.3%. The sector continues to support jobs, but its long decline poses an acute threat to the regional economy and to Scotland's industrial base. The growth of the offshore renewables sector has provided some welcome support to regional economic activity and wider offshore and engineering supply chains, particularly during recent periods of oil price weakness. While renewables are seen as a major future growth area, Scotland's hydrocarbons sector still remains important, particularly in coming years.

Scotland also has stark regional disparities.

In 2019, eight of Scotland's 23 regions were above the Scottish average in terms of productivity; by 2023, only six were. Edinburgh has consistently ranked in the elite tier of UK productivity, joined at times by Perth and Kinross and Stirling, but Aberdeen has slipped since 2018, while the Borders have been stuck at the bottom since 2004. Output per hour of £49 in Edinburgh in 2023 compares with just £28.60 in Na h-Eileanan Siar, the Western Isles, the worst performing region.

There are two drivers of this gap: the strength of company productivity in Edinburgh and Aberdeen, and the weakness of the industry mix elsewhere. The former excel in business research and development (R&D), start-ups, exports and workforce skills, while the South and West-Central regions lag behind. And with oil and gas waning, and finance under pressure, there is a question of whether new growth drivers will emerge to sustain that performance.

Indeed, looking at the potential candidates, it is hard to be optimistic. Education should be one of Scotland's great advantages, but warning signs are clear. Scotland has one of the UK's most educated workforces, with 54.2% of the working-age population holding NVQ4+ qualifications in 2022, second only to London at 58.9%. Yet again, the distribution is uneven: 73.2% of Edinburgh's workforce is highly qualified, compared with just 38.2% in North Lanarkshire. These divides entrench regional gaps and constrain

<sup>13</sup> M. Wardle & M. Mainelli, 'The Global Financial Centres Index 37', Z/Yen (March 2025).

<sup>14</sup> DESNZ, 'UK Energy in Brief 2025' (July 2025). [Link](#)



growth. Meanwhile, as Tim Jones outlines elsewhere in this volume: school standards have slipped in international PISA rankings.

It is far from clear, meanwhile, that the economy can seamlessly pivot from oil and gas to renewables and Net Zero, as is often assumed, or that it is fully prepared for the disruption of the digital revolution and AI.

Dundee does provide a glimpse of what is possible. The city has built a global reputation in video games, showing how clustering can lift a regional economy through high-value, knowledge-intensive jobs. Several leading studios are based there, producing hits such as Grand Theft Auto and helping develop Minecraft for consoles. Abertay University, one of the first in the world to offer computer game degrees, linked education directly to employment, anchoring a cluster with global reach.

Highly productive firms are concentrated in Scotland's knowledge-intensive service industries, but they lack scale and account for a small number of jobs. Small and medium sized enterprises (SMEs), which make up 99% of Scotland's business base, face a digital skills mismatch, which needs to be addressed given the imminent digital transformation.

### ‘Global competition is intensifying, as other cities prioritise culture to attract tourists and international attention’

Scotland has a strong position in the creative sector, anchored in Edinburgh. The city hosts the world's largest arts festival each August but several components are facing strain. The Edinburgh International Festival and International Book Festival confront a financing gap as firms retreat from sponsorship under political pressure. The Festival Fringe, once defined by accessibility, alternativeness and affordability, now faces rising costs for performers and visitors alike, compounded by underinvestment in accommodation and transport. At the same time, global competition is intensifying, as other cities prioritise culture to attract tourists and international attention.

The Productivity Institute notes that to strengthen Scotland's intellectual, human and social capital - vital if productivity performance is to improve - there will be a need 'to achieve impactful 'quick wins', along with longer-term resilience and readiness in innovation, skills development, and digital adoption. Three interconnected priorities emerge: developing Scotland's technological adoptions across public and private sectors; enhancing digital capabilities; and cultivating a culture of enterprise and entrepreneurship'. But across much of Scotland, what remains lacking is precisely that blend of enterprise and entrepreneurship needed to drive productivity - a shortfall rooted as much in the institutional and policy environment as in the economy itself.

## 2. What levers can be pulled?

Scotland's prosperity is in its own hands. EU membership involved London ceding sovereignty to Brussels across an ever-widening range of areas; devolution, by contrast, has involved London transferring powers to Edinburgh, Cardiff and Belfast. And this has continued since Brexit. To assess what policy levers Scotland could pull it is necessary to be clear about the significant powers Holyrood already holds.





Since 1999, the Scottish Parliament has controlled a wide range of domestic policy central to economic performance: health and the NHS, education and training, local government, housing, environmental policy, agriculture and fisheries, economic development and transport. It also holds responsibility for justice and cultural policy. These areas underpin Scotland's economic foundations. Yet deteriorating school performance and rising fiscal pressures raise serious questions about how they have been managed.

Fiscal powers, devolved more gradually, remain the most complex and contested. Initially, the Scottish Parliament controlled local taxes (council tax and business rates). The Scotland Act 2012 extended the Scottish Parliament's income tax powers, and Stamp Duty Land Tax and Landfill Tax were replaced by new devolved taxes on property.<sup>15</sup>

Following the independence referendum, the Smith Commission of 2014 recommended deeper fiscal devolution and the Scotland Act 2016 delivered it, embedding Block Grant Adjustments (BGAs) within a new Fiscal Framework. That framework adopted the Indexed Per Capita (IPC) method, confirmed in the 2021–23 review,<sup>16</sup> which protects Scotland if its revenues grow more slowly than England's while allowing it to benefit indirectly from tax growth elsewhere in the UK through Barnett consequentials. This reflects the 'no detriment' principle, but also means, controversially to some, that Scotland can gain from taxes raised only in the rest of the UK.

**‘ The Scotland Act 2012 extended the  
Scottish Parliament's income tax powers,  
and Stamp Duty Land Tax and Landfill Tax were  
replaced by new devolved taxes on property ’**

The 2016 Act also devolved some welfare benefits, though Westminster retained control of core pillars, including pensions and most aspects of Universal Credit. Limited borrowing powers were also granted to the Scottish Parliament in the 2012 Scotland Act, primarily for capital spending. Such constraints are prudent: broader borrowing authority would raise Scotland's risk premium, drive up debt-service costs and heighten moral hazard over whether Westminster would ultimately intervene.

Nonetheless, important powers remain reserved to Westminster: the Union and the constitution, foreign affairs and defence, immigration, monetary policy, most welfare, broadcasting, employment law, trade and competition policy. These ensure that while Scotland exercises substantial control over its domestic economy, the broader macroeconomic framework rests with the UK.

In short, Scotland has gained significant autonomy over domestic and fiscal policy. If it underperforms, Holyrood should be held accountable, just as it would deserve credit if it outperformed. Sadly, so far, the record is one of disappointment.

<sup>15</sup> For example, initially Holyrood had the power to impose a 'Scottish Variable Rate' (SVR) of income tax, amending the basic rate of tax by up to 3p in the pound. From 2012 this increased to 10p in the pound.

<sup>16</sup> Scottish Government, 'Fiscal framework: factsheet' (16 July 2025). [Link](#)



## Shifting focus

Since 1999, Scotland has produced a steady stream of economic plans, each shaped by the political priorities of the day. The real test, however, lies not only in delivery but in direction.

As Anton Howes makes clear in his opening essay, Scotland's historic success was built on enterprise, innovation and private investment, with its cutting-edge financial services sector further facilitating its global commercial reach. Yet Holyrood has increasingly sought to manage the economy from the centre in a top-down, pseudo-planning way. Key issues have been identified but rarely acted upon, leaving a strategy that is long on words, short on outcomes and an economy drifting away from the entrepreneurial foundations that once underpinned Scotland's growth.

The trajectory is clear. The early Labour-Liberal Democrat coalition stressed market forces, skills and innovation, later adding sustainable development and social inclusion as core objectives. The SNP's 2007 strategy flirted with low-tax competitiveness before the party pivoted, post-crisis, towards inequality reduction. By 2015, the focus had shifted further, embedding social objectives, a low-carbon economy and the idea of 'Fair Work' – culminating in the 2022 National Strategy for Economic Transformation, which enshrines a 'wellbeing economy' that gives environmental and social outcomes equal weight to growth.

Over time, economic policy has thus moved away from Scotland's historic strengths in enterprise and competitiveness towards state-backed social and environmental priorities. This drift has left the policy landscape cluttered with too many plans, too much bureaucratic control and too little focus on what genuinely drives growth.

**‘ Without shifting towards a deliberate policy to boost competitiveness, as many of its peers have, Scotland risks falling behind ’**

## Comparable countries

Scotland's travails are not unique. Economic growth in the UK and indeed in most Western economies has been sluggish since 2008. There have been some exceptions – notably the US, but in Europe also Poland, which continues to pick up from a previously low level, and Ireland, which has benefited from low corporate taxes and a highly educated labour force.

While the data comparisons are usually between Scotland and the UK, the appropriate comparator group for the country is arguably the set of smaller advanced economies, as classified by the IMF and OECD: high-income countries with populations between about 1 and 20 million and per capita incomes above \$30,000. This group includes Austria, Belgium, Denmark, Finland, Ireland, Israel, the Netherlands, New Zealand, Norway, Singapore, Sweden and Switzerland. Scotland, although not independent, fits the profile, with a population of just over five million, advanced-economy status and per capita income comfortably above the threshold.

While these can all experience their own economic cycles, what defines these countries is not size alone but how they deliberately position themselves to compete. Most have built disciplined fiscal frameworks and competitive, broad-based tax systems. They sustain high levels of investment in skills, education and R&D and create



environments that attract talent, capital and enterprise. By doing so, they ensure their economies are globally competitive, able to scale outward from small domestic markets and resilient in the face of shocks. Without shifting towards a deliberate policy to boost competitiveness, as many of these peers have, Scotland risks falling behind.

### 3. Strengthening the economic foundations

The most important and most obvious thing that Scotland needs is growth and, in particular, growth in GDP per capita. It is growth, driven by higher productivity, which produces improving living standards and generates the money to pay for first class public services.

I would therefore argue that Scotland – like the wider UK – needs three foundations to its economic agenda.

First, fiscal discipline. The current fiscal trajectory is unsustainable. Public spending must be controlled, priorities set and value for money enforced. The Barnett Formula needs a fundamental revamp to help deliver fairness and efficiency.

Second, a supply-side agenda to raise the potential growth rate and living standards. Stronger supply-side policies would allow the economy to grow faster before hitting inflationary bottlenecks, making fiscal policy more effective.

Third, stability and finance. Low inflation, financial stability and a competitive financial sector must underpin growth. To that end, Scotland needs a stronger voice at the top of the Bank of England.

‘ Government spending is at a historic high of 52% of GDP. Excluding the North Sea, that rises to 55.4% of onshore GDP, compared with 44.4% for the UK ’

#### **Public spending must be controlled**

The alarm bells should already be ringing about Scotland's fiscal position. It is poor and looks set to deteriorate further. Public spending is not under control.

Of course, Scotland's fiscal sustainability remains tied to that of the UK through the block grant and associated adjustments. But greater fiscal devolution means Holyrood now bears more direct responsibility. And there is growing pressure for Holyrood to put its fiscal house in order: the UK is confronting its own debt challenge, which could squeeze the block grant, while domestic spending pressures risk widening the budget gap. Government spending is at a historic high of 52% of GDP. Excluding the North Sea, that rises to 55.4% of onshore GDP, compared with 44.4% for the UK.

In April, the Scottish Fiscal Commission published a stark assessment of the outlook.<sup>17</sup> It highlighted the strain from Scotland's ageing population and worsening health outcomes, noting the close link between demographics, economic performance, tax revenues and spending pressures: poor health compounds weak growth and raises welfare and health costs.

<sup>17</sup> SFC, 'Fiscal Sustainability Report – April 2025' (April 2025). [Link](#)



The Commission pointed to a budget gap and a bleak long-term sustainability outlook. Health spending, it said, is projected to rise by 238% over the next half century, social security by 129% and social care by 131%, while education rises by only 69% as the younger population shrinks.

Scotland's median age is set to rise from 43 in 2029/30 to 49 by 2074/75, creating even more severe demographic pressures than in the rest of the UK. As the population ages, devolved public spending would need to fall by around 1.2% per year relative to projections to balance the budget, according to the SFC. The population aged over 75 will rise steeply, while the working-age population declines, worsening the dependency ratio and shrinking Scotland's share of the UK population.

The block grant is expected to account for a rising share of Scottish funding, from 76% in 2029/30 to 79% by 2074/75, reinforcing dependence on UK fiscal policy. But this means that if the UK tightens to address its own debt – or decides that it does not want to fund Scotland's ever rising public expenditure – the impact on Scotland will be negative and asymmetric.

**‘ The picture is one in which Scotland's outgoings, even more than the rest of the UK's, are failing to match up with its income ’**

The latest fiscal numbers reinforce the point. The June 2025 Government Expenditure and Revenue Scotland 2024/25 showed a deterioration in the fiscal position: the net fiscal balance was in deficit by £26.2bn, compared with £21.4bn in 2023/24. This equates to 11.6% of GDP versus 9.7% previously.

The Fraser of Allander Institute has examined this deterioration in the budget deficit. It showed that devolved taxes improved the deficit by 0.8% of GDP, largely reflecting income tax and land and buildings transaction tax. But this was outweighed by a 2.7% of GDP deterioration elsewhere. The UK-wide National Insurance changes led to a reduction in reserved revenues of 0.8% of GDP. Lower oil prices cut North Sea revenues by 0.4%. Reserved expenditure added 0.2%. Devolved expenditure growth added a sizeable 1.2% of GDP. The message is clear: growth must be boosted to raise revenues, since higher taxes risk damaging growth and future spending will need to be curbed.

On the income side, total revenues raised in Scotland were £91.38 billion in 2024/25, constituting 40.4% of GDP. Within this, the non-North Sea tax take is already high, at £75.1 billion. The disincentive effect of an ever-rising tax take must be a concern: income tax revenues in Scotland have risen in the last two years alone from £16.8 billion to £20.7 billion.

In terms of spending, total public expenditure per person in Scotland is £21,192, versus £18,523 in the UK.<sup>18</sup> Public spending increased to £117.6 billion in 2024/25. Indeed, spending has continued to rise despite a fall in reserved public sector debt interest from the highs of 2022/23. As a result, public spending is over five percentage points higher in relation to GDP than prior to the pandemic. Whenever overall spending ratchets upward, it sets a new baseline, with no subsequent retrenchment.

<sup>18</sup> This UK figure is raised by Scotland and would be lower in the rest of the UK excluding Scotland.



In short, the picture is one in which Scotland's outgoings, even more than the rest of the UK's, are failing to match up with its income. To restore sustainability, something will have to give. And with the tax take already at record highs, it is public spending that should be under the spotlight. Indeed, in terms of tax, the priority should not be raising revenues, but simplification. The income tax system in Scotland is relatively complex, with six bands rather than four as in the rest of Britain, and higher rates at several points along the income scale, including a top rate of 48%. There is an opportunity here for simplification and, in due course, reduction. The objective should be to make Scotland the most attractive part of the UK in which to invest, start a business and create jobs and opportunities. It already enjoys substantial advantages over London and the South-East of England in terms of the cost of living and especially house and rental prices. Sensible tax reform could further leverage this advantage. But if rates are to be lowered, spending needs to be brought under control.

**‘Reforming the Barnett Formula in Scotland would be hugely controversial, given its totemic status. But it could bring economic gains’**

### **The Barnett Formula**

Introduced in 1978 as a temporary, non-statutory measure, the Barnett Formula has endured because of its simplicity and because it avoids annual negotiations. It does not set the overall size of Scotland's block grant, which rests on a historic baseline. Instead, it adjusts the grant when public spending in England changes in devolved areas, allocating a share of the change according to population and a 'comparability percentage' reflecting how much of a department's budget is devolved.

Since the advent of fiscal devolution, the system has become more complex, as the block grant is now offset by large Block Grant Adjustments (BGAs) linked to devolved tax powers. In effect, the Barnett Formula applies only to changes, not to the underlying baseline, which, together with Scotland's slower population growth, contributes to Scotland continuing to enjoy higher per-capita spending than England.

When the formula was first introduced, it was assumed that these higher per-capita figures would gradually converge with those in England: the so-called 'Barnett convergence'. In practice, this has not happened. Scotland's slower population growth has boosted its relative per-capita share, the generous historic baseline remains untouched and additional funding streams, such as City and Growth Deals, Covid-19 support measures and occasional UK-wide programmes or direct allocations, have reinforced the gap. Far from narrowing, the long-term spending differential has proved resilient.

Wales has the Holtham Floor to correct for need. It is questionable that Scotland, which already benefits from higher per-capita spending, cannot make the same claim, although it faces a challenge of low population density in several areas, which is a legitimate cost driver of some public services.<sup>19</sup>

<sup>19</sup> The UK and Welsh governments agreed a new funding floor mechanism from 2018-19, which was originally recommended by the Holtham Commission. Under this 'Holtham floor', all changes in the Welsh Government's block grant determined by the Barnett Formula will be multiplied by a new needs-based factor. While this retains almost all of the features of the Barnett Formula, there is one key difference – all else being equal, relative Welsh Government funding will converge towards this needs based factor over time (rather than towards 100% as under the current arrangements). See: Welsh Government, 'The agreement between the Welsh Government and the United Kingdom Government on the Welsh Government's fiscal framework' (December 2016).



Barnett was supposed to cap Scotland's relative advantage through convergence, but that cap has never truly operated. Other flaws in the system compound the problem. Adjustments are still calculated on a department-by-department basis, even though Holyrood has full discretion once the money arrives as to where to spend it. The formula can also be bypassed altogether, as with City Deals.

All this points to the case for reform. Reforming the Barnett Formula in Scotland would be hugely controversial, given its totemic status. But it could bring economic gains. Resetting the block grant baseline and stopping off-formula top-ups would curb the persistence of higher per-capita spending and ease pressures on the UK budget. It would also make the system more transparent and strengthen accountability, as Holyrood would bear clearer responsibility for the taxes it raises and the spending decisions it makes.

The case for leaving Barnett untouched rests on stability. The formula is simple, predictable and avoids disruptive rows, giving certainty for devolved budgets. While there is a strong case to be made for some level of fiscal transfer, it should be acknowledged that a reset would probably mean a relative fall in Scottish funding, forcing a focus onto the mix between spending and taxation. Any change could be phased in. Reform would likely invite disputes over how fairness is defined. Still, there is a strong case for improving fiscal transfers so that accountability and incentives to fiscal prudence could be better embedded.

**‘ Policy should focus on overcoming current challenges in areas such as finance and energy, while positioning Scotland so it can succeed in future growth areas ’**

### **The supply side**

From 2021 to 2023, the Scottish Government sought to lift productivity by supporting SMEs, widening access to finance and promoting innovation. Business Gateway and the Scottish Growth Scheme offered advice and capital to smaller firms, while increased R&D funding and Scotland CAN DO aimed to foster a stronger culture of enterprise.

The direction is right, but entrepreneurial policy sounds oxymoronic for a reason. If it exists, it must enable rather than dictate.

The challenges associated with a social democratic mindset described by Malcolm Offord in his opening essay are far from unique to Scotland. Yet in Westminster, as in Holyrood, intervention through industrial strategy is back in fashion. The UK record with such strategies is normally of losers picking the government, through bail-outs and interventions, rather than government succeeding in picking winners. The Labour Government has chosen eight sectors to promote, even though these are already succeeding: advanced manufacturing, clean energy, creative industries, defence, digital and tech, financial services, life sciences and professional services. These ‘IS-8’ sectors already outperform the economy, with productivity 27% above the national average.

A number of these sectors have a prominent position in Scotland, which needs to ensure it benefits from whatever support they are being offered by Westminster. But the reality is that industrial policies are no substitute for a supply-side agenda, aimed at empowering the private sector and boosting competitiveness. As noted earlier, policy should focus on overcoming current challenges in areas such as finance and energy,





while positioning Scotland so it can succeed in future growth areas, whether that be renewables, digital and AI, or even defence.

Of course, achieving strong economic growth is not possible if energy costs stay high. As one of the most important input costs across all sectors, energy must be at a competitive price. Not only that, but the longer energy costs stay high, the more it will deter future investment in energy-intensive and growth-important areas such as tech, AI, data centres and robotics.

Yes, we must protect the environment and ecology and not ignore the risks of not doing so. But our aim should also be to align environmental goals with affordable and reliable energy. This needs to be achieved without damaging the economy, via high costs that it cannot bear.

The focus should therefore be on energy addition, not energy substitution, as it is in many other countries that are also moving to renewables. The economic theory is that as the cost of renewables falls and technology advances including storage allow their reliability to improve, they will displace fossil fuels, eventually substituting for them. By contrast, the UK is moving towards substitution now, when baseload of renewables is low and at the expense of high energy costs.

**‘ The supply-side agenda is central: encouraging investment, innovation, infrastructure and incentives within a predictable regulatory and tax environment ’**

It takes considerable time and may not be fully possible to move from a fossil-fuel economy, while also meeting domestic energy needs. Moreover, the cost of transition for the public can be high, if carried out over too short a time-period. We do not have sufficient carbon capture and storage. There is a strong case for investing in renewables, but the energy mix needs to be diversified and thus we should add to our supply. My preference is for nuclear – but in Scotland other energy sources may merit consideration.

Policy should also build clusters that harness agglomeration effects in areas of comparative strength, such as life sciences, gaming or renewables, embedding firms within networks of research, finance, infrastructure and skills. One priority is to expand apprenticeships and reskilling programmes, ensuring that the workforce can adapt and that productivity gains are spread more evenly across regions.

Investment in human capital, innovation and enterprise policy must be upgraded, targeting both start-ups and the scale-ups that drive long-term growth.

The supply-side agenda is central: encouraging investment, innovation, infrastructure and incentives within a predictable regulatory and tax environment. As noted above, taxes should be simple and competitive, used as a lever to support growth rather than just raise revenue.

While low taxes alone cannot deliver success, higher taxes do weaken incentives and competitiveness, especially in sectors which need to be acutely aware of their international competitive position such as energy and finance.



Chronic under-investment has also undermined Scotland's economic performance since the late 1990s. In fact, investment is even lower than the rest of the UK, which already performs poorly by international standards.

Investment is vital. And we know the criteria that need to be in place for higher investment to be delivered: more finance and lending for firms; sound macroeconomic policies; a skilled workforce; a lack of bureaucracy; predictable, simple and low taxes; an expectation of future demand; and functioning and supportive infrastructure. In Holyrood and Westminster alike, policies have not focused on facilitating these vital enabling factors. This is where attention needs to be.

Scotland's significant manufacturing sector, plus its expertise in high-end manufacturing, may provide a foothold for opportunities arising from the UK's new industrial strategy and future increased spending on defence and the green economy. But it requires joined-up policy thinking to facilitate the enabling factors for success.

Aberdeen, for instance, should be able given its skills base to benefit from the focus on renewables. The challenge and opportunity is greatest in Glasgow and the west, where Scotland's traditional industrial base was centred. Revitalising the west and creating well-paid opportunities there can be a deliverable aim and would in the process halt or even reverse the internal migration that has seen people move east in search of higher paid roles.

**‘ The challenge and opportunity is greatest in Glasgow and the west, where Scotland's traditional industrial base was centred ’**

Yet with output in Glasgow at £36 per hour, below the Scottish national average of £38.50,<sup>20</sup> this challenge will be significant. For example, it would mean aligning education and skills training more firmly with local employment needs. This could encompass apprenticeships, vocational training (which is particularly needed) and mid-life skills, plus building upon clusters linked to local universities.

Such a proactive approach is needed to position Scotland in AI, too. The 2020 Logan Report<sup>21</sup> highlighted the need to build the country's talent pipeline, via education, infrastructure and funding, including coding schools and vocational pathways into the digital economy.

Sector strategies must also connect Scotland's strengths to opportunity: in life sciences, linking universities and research institutes with start-ups and global firms, backed by risk capital and specialist talent; in energy, combining offshore expertise with renewables and supply-chain development under clear regulation; and in food and drink, leveraging Scotland's reputation through export promotion, logistics, tourism and sustainability research.

But throughout all this, we should remember that Government's role is to set the conditions, not manage outcomes. That means strong foundations: a business environment underpinned by the rule of law and supportive regulation; credible, competitive and simple macroeconomic and tax policy; human capital built on skills,

<sup>20</sup> See footnote 11 above, and also: ONS, 'Regional and subregional labour productivity, UK: 2023' (19 June 2025).

<sup>21</sup> Scottish Government, 'Scottish technology ecosystem: review', Economic Development Directorate (25 August 2020).





flexibility, education and quality of life; and modern infrastructure from housing to transport, digital connectivity and sustainability. With these in place, Scotland can unlock private-sector growth, close the gap with peers and realise more of its potential.

### **Monetary policy**

Monetary policy can often be overlooked in discussions of Scotland's economy. Indeed, since the Bank of England was made independent in 1997, it is striking how little scrutiny it has faced from politicians in whatever part of the UK. This is even though the inflation target has rarely been met in recent years, and the cost-of-living crisis has been acute.

In particular, there is a strong case for a change in the make-up of the Bank to give recognition to Scotland – because its role in monetary policy and financial stability remains marginal.

It is true that the Bank has one of its twelve regional agents covering Scotland and holds meetings with the public through citizens' forums. Yet as important as this representation is, there is a strong case for giving Scotland more heft on both monetary policy and financial stability issues. The latter is particularly critical, given the scale of its financial sector. A few fleeting visits by members of the Monetary Policy Committee, and a handful of speeches with passing references to Scotland's economy, does not amount to serious engagement. Nor have policy meetings been held in Scotland. And references to Scotland in the minutes of the Bank's Court are scarce to non-existent.

**‘ The best solution would be to appoint a Deputy Governor of the Bank of England with explicit responsibility for Scotland, including oversight of its financial sector ’**

A second-best option to fix this would be a dedicated Scottish representative on the Monetary Policy Committee. But that would not address the wider financial stability question. The best solution would be to appoint a Deputy Governor of the Bank of England with explicit responsibility for Scotland, including oversight of its financial sector. That would reflect Scotland's economic weight, improve representation in decision-making and give due recognition to Edinburgh's role as a financial centre.

In short, just as the City of London needs a cheerleader, so too does Edinburgh. Scotland would also benefit from closing the Macmillan Gap and patient capital gap to boost lending and necessary finance for SMEs. This should be part of a UK-wide agenda, alongside a renewed form of popular capitalism to boost domestic savings and investment.

### **Brexit and international trade**

In any discussion of Scotland's economic strategy, there is a final point that needs to be made. Arguments that Scotland would gain economically by rejoining the EU are misplaced. Even though this is not a policy option, it is worth noting that membership would mean ceding a wide array of competencies to Brussels just as, in contrast, devolution has transferred more economic power to Holyrood.

Remaining outside the Single Market may impose trade friction in some areas, but it also gives the UK and Scotland regulatory autonomy in future growth sectors such as AI and financial services. Western Europe is the slow growth region of the world economy. The UK clearly wants a sensible relationship with the EU – particularly in areas such



as defence, but the treatment of fishing in the recent trade agreement left much to be concerned about. Meanwhile, remaining outside the Customs Union enables the UK to position itself and focus on trade deals with faster-growing economies – including the recent agreement with the US, of importance to the whisky industry. Scotland, above all, needs to ensure it is competitive.

## Conclusion

Scotland has enjoyed stronger productivity and higher income per head than many parts of the UK. However, it faces significant economic challenges, in particular to its traditional growth engines of energy and finance.

With more policy levers in its hands, Holyrood must now set direction. And that direction must be away from a top-down, centralised approach and towards a pro-enterprise strategy that encourages local and individual initiative as the best route to secure lasting prosperity.

**‘Above all, there is an urgent need for fiscal discipline, to curb the rise in public spending and to halt, and ideally reverse, the upward trend in taxes, restoring some fiscal credibility’**

To that end, there needs to be a focus on supply-side reform and a stronger Scottish voice in monetary and financial policy. But, above all, there is an urgent need for fiscal discipline, to curb the rise in public spending and to halt, and ideally reverse, the upward trend in taxes, restoring some fiscal credibility. Otherwise, the state will inexorably dominate, crowding out the private sector just when it must become stronger, more competitive and larger to drive faster growth in Scotland.

As the following essays by Tim Jones on education and Alan McNeill and colleagues on the NHS set out, reformed public services are vital to Scotland’s continued prosperity. But ultimately, these services can only be sustained in the face of demographic headwinds if the Scottish economy rests on strong, pro-growth foundations.

### About the author

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# An agenda for school reform in Scotland

*By Tim Jones*

Scotland's schools used to be the envy of the world. Indeed, as Anton Howes' chapter in this volume makes clear, Scotland's relatively wealthy and hence educated populace has made a vastly disproportionate contribution to the arts and sciences for centuries.

Arguably, the roots of Scotland's long-standing educational excellence can be traced all the way back to the Scottish Reformation in 1560, which put the kirk at the heart of community and local government organisation, and which embedded the idea of a school in every parish. With the Scottish Enlightenment of the 18th century, its great inventors of the 19th century, and the post-war 'Golden Age' of Scottish schooling, it's no wonder Scotland's international reputation has been so high.

**‘The last results showed that in all three subject areas covered by PISA, the scores of Scottish 15-year-olds fell between 2018 and 2022’<sup>1</sup>**

However, over the past quarter of a century, Scotland's performance in international league tables such as PISA (Programme for International Student Assessment) has declined dramatically. The last results showed that in all three subject areas covered by PISA, the scores of Scottish 15-year-olds fell between 2018 and 2022. The drop was 18 points in mathematics, 11 points in reading and even seven points in science. A change of 20 points is approximately equivalent to one year of mid-secondary schooling.<sup>1</sup>

These results should give us great cause for concern. Yes, we have to accept that there was an impact from the pandemic. But since 2006, Scotland has gone from being the top PISA performer in the UK in reading and maths, and equal first with England in science, to being slightly behind it in reading, and very far behind it in maths and science.<sup>2</sup> The picture is not one of rising standards, but national decline.

So how did this happen? Educational standards started to fall in England during the 1970s, whereas Scotland broadly maintained its standards in the 1970s and 1980s. This was because the system in Scotland was broadly conservative with a small c, meaning that the core curriculum for those aged 5-14 introduced in the late 1980s was grounded in knowledge. Standard Grades – which were gradually introduced from the late 1980s – broadly followed the same educational philosophy as Highers, while nevertheless catering for a much broader range of ability than the O grades had done.

1 Scottish Government, 'Programme for International Student Assessment (PISA 2022): Scotland's results – highlights' (5 December 2023). [Link](#)

2 For a summary of the latest PISA data in respect to Scotland, see: For a summary of the latest PISA data in respect to Scotland, see: 'Scotland's Declining Education Attainment PISA 2022', *Scotland's Data on a Map* (1 August 2024). [Link](#)



The real change in Scotland came in the mid-1990s, when the educational establishment took over and adopted the worst ideas of the 1960s and 1970s. It was in the wake of this generational turnover that we started to see evidence of education decline.<sup>3</sup> In the period since PISA started in 2000, Scotland has never been in first position – or even in the top five. Those places have been consistently taken by countries in Asia (normally Singapore, Macau, Taiwan, Hong Kong and Japan).

Although the blame for this decline in standards can be traced to certain key decisions made by successive governments since devolution, I would argue that a fundamental factor has been the progressive nationalisation of education in Scotland, which has seen more and more control over the education system exerted from the centre – the opposite of the trend in England, under its own education reform programme.

**‘The real change in Scotland came in the mid-1990s, when the educational establishment took over and adopted the worst ideas of the 1960s and 1970s’**

As Malcolm Offord argues in the first essay in this collection, devolution from Westminster has in some respects resulted in greater centralisation in Holyrood. This centralisation has exacerbated the impact of mistaken decisions, since they affect the whole system.

While there is a need for a national framework in certain respects, such as a core curriculum, we need to balance this with more power and autonomy being given to local authorities and schools. We should also recognise the difficulty of changing this given the power wielded by an unaccountable educational establishment rather than by Scottish Government ministers.

According to Lindsay Paterson, Professor Emeritus of Education Policy at Edinburgh University, the decline in Scottish performance in the PISA studies corresponds in particular with the implementation of the Curriculum for Excellence model. Furthermore, the longer-term decline can be seen clearly if we go back a full decade to 2012, around the time that the Curriculum for Excellence was introduced.<sup>4</sup>

We Scottish Conservatives have been highly critical of this decline and yet, so far, have not been able to provide a credible response as to why this has happened or how to put it right. If I had a pound for every time I have heard a Scottish Conservative politician say that we will restore the reputation of Scotland’s education system without being able to say how they would do it, I would be a very rich man.

Some journalists even claim that all parties, including the Scottish Conservatives, have been complicit in the fall in standards. This, unfortunately, is true. Broadly speaking, all parties have unreservedly supported the Curriculum for Excellence. It was not until the latest set of PISA results were published that the Scottish Conservative leader at the time, Douglas Ross, called for the Curriculum for Excellence to be scrapped.

3 For further details, see for example: L. Patterson, ‘3. The Impact of Policy and Social Change on Schools’ and ‘4. School Curriculum: Liberal Education for Everyone?’, in *Scottish Education and Society since 1945* (2023), pp.37-60, 61-86.

4 The Curriculum for Excellence was officially inaugurated in 2010 and the PISA sample of 2012 was the first to capture data under the Curriculum for Excellence. The 2022 sample was the first cohort to have had the Curriculum for Excellence throughout their time at school. See: L. Patterson as quoted in H. Puttick, ‘Scotland’s failings revealed in first Pisa scores since pandemic’, *The Times* (5 December 2023). [Link](#)



That said, there is a notable exception to the failure of all parties to challenge the educational status quo. In 2018, when John Swinney and Nicola Sturgeon attempted to put through their Education Bills, the unions and other parties opposed them. These Bills could have had a major effect in improving attainment. But it was only the Scottish Conservatives who were prepared to put the needs of children before narrow political ideology. Liz Smith, the Scottish Conservative spokesperson at the time, offered her support and to work with the SNP. They rejected her offer and instead withdrew the proposed legislation.

This is precisely the sort of situation alluded to by Malcolm Offord in his essay, where inaction or bad policy happens from fear of ‘alienating influential groups and so undermining the cause of independence’. In this case, it was the support of the trade unions that was at stake.

**‘ There is now a political consensus forming  
that falling standards, as evidenced  
by PISA, must be addressed ’**

It’s important at the outset to put into context what the degree of failure looks like. Scotland’s performance is about average for developed countries. But our performance at the top end – the top 10% of pupils – is way below other countries, and way below England. And disgracefully, at the bottom end, one in four Scots schoolchildren leaves the Scottish education system unable to read, write and count to the level that could reasonably be expected of them for their age.<sup>5</sup>

The fault for this does not lie with the teaching profession. This disgraceful attainment gap is the responsibility of the Scottish Government, which has singularly failed a whole generation of children who have been let down by an overly progressive and overly centralised system.

There is now, I believe, a political consensus forming that falling standards, as evidenced by PISA, must be addressed. However, this cannot be done unless there is a real openness to address the root cause. In a political system which is not designed for any one single party to have a majority, the need for cross-party co-operation and a willingness to put aside party ideology is essential if progress is to be made.

Therefore, the purpose of this paper is first to examine what has gone wrong, and then to provide solutions which are intended to appeal to a broad political spectrum.

There are five key areas which I intend to consider and which, if addressed, I believe could transform the educational landscape in Scotland.

1. The curriculum (and phonics)
2. Assessment
3. Discipline
4. Closing the poverty-related attainment gap
5. Early years

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<sup>5</sup> See: Scottish Government, ‘3. Performance in reading’, in ‘Programme for International Student Assessment (PISA 2022): Scotland’s results – highlights’ (5 December 2023). [Link](#)



I have focused on primary and secondary education only because these sectors are where the fundamental problems lie and where reform is most urgent. A case could also be made for the importance of reform in Scotland's higher education sector, at least once we've got the basics in primary and secondary schools moving in the right direction again. That, however, I leave to others with greater first-hand experience of the triumphs and travails of post-18 education and training in Scotland.

**‘ The OECD’s recommendation was that the curriculum should be clear and simple. At present, it is not ’**

## The curriculum

There is a great deal of misunderstanding about the Curriculum for Excellence (CfE) and it is important to understand what it is – or, perhaps more importantly, what it is not. The first thing to say is that the CfE is really no more than a mission statement set out by the Curriculum Review Group, which was established by the Scottish Government in 2003 and which published its report in 2004. It is a set of principles which are referred to as the ‘Four Capacities’ (though ‘objectives’ would be a more accurate description):

1. Successful learners
2. Confident individuals
3. Effective contributors
4. Responsible citizens

These capacities or objectives aim to ensure that children and young people develop the necessary skills and qualities for lifelong learning, personal growth, civic engagement and contribution to society. Nobody would argue with any of that.

However, when it was introduced, responsibility for its implementation shifted from its original authors to an entirely different group of people. As a result, there was no attempt to specify the content of the learning, only experiences and outcomes. This was its biggest weakness. CfE was too vague and did not indicate what knowledge was required. This fundamental omission led the teaching profession to ask for more guidance from Education Scotland. They kept on asking and asking until 20,000 pages was produced. Not surprisingly, this has caused increasing confusion.

Even the Organisation for Economic Co-operation and Development (OECD) recommended (in a 2021 review) that a ‘new narrative’ should be produced for CfE, ‘adhering to the original principles but focusing on the core matters of curriculum, assessment and pedagogy’. The OECD’s recommendation was that the curriculum should be clear and simple.<sup>6</sup> At present, it is not.

According to the respected educational expert Dr Keir Bloomer, teachers have been deluged with ‘guidance, often of poor quality, and on a scale that nobody could possibly cope with. Who could read pages of advice or commit to memory all that is needed to apply four capacities, 24 capabilities, five levels, seven principles, six entitlements, 10 aims, eight curricular areas, three interdisciplinary areas, four contexts for learning and 1,820 experiences and outcomes?’<sup>7</sup>

<sup>6</sup> OECD, Scotland's ‘Curriculum for Excellence: Into the Future’ (2021), esp. pp.30, 43. [Link](#)

<sup>7</sup> T. Freeman, ‘Curriculum for excellence guidance was ‘self-evident lunacy’, MSPs hear’, *Holyrood* (28 September 2016). [Link](#)



All this and no mention whatsoever of, for example, the stages of addition, subtraction, long division and multiplication; or for that matter what each child is expected to achieve and at what age.

Dr Bloomer goes on to say that 'teachers are being swamped by mountains of guidance in an exercise of self-evident lunacy'.<sup>8</sup> A better narrative was one of 'political leadership': ministerial clout was seen as a prerequisite for cutting through the dense thicket of over-elaborate advice which had been allowed to multiply.

However, there has been little if any progress on developing such a new narrative. Although the guidance has been 'simplified and clarified' by the issue of new benchmarks occupying 600 pages, it is still an impossible ask of the teaching profession.

**‘ Although the guidance has been ‘simplified and clarified’ by the issuing of new benchmarks occupying 600 pages, it is still an impossible ask of the teaching profession ’**

When the OECD published its review, it argued that the task of creatin

We cannot stick with the current failed model. Instead, we need to implement a core curriculum which allows schools a degree of autonomy to tailor teaching to their local context and more importantly to the individual needs of children.

Of course, some head teachers have been courageous enough to put their heads above the parapet. A striking example of this is Berwickshire High School, where the head and staff have achieved outstanding results. I was privileged to visit this school recently and to hear from teachers first-hand what they have done and how this has transformed the school. Over a period of four years, through strong visionary leadership and the implementation of a knowledge-based and content-rich curriculum, Mr Robertson has turned Berwickshire High School from one deemed 'weak' and 'unsatisfactory' by school inspectors to a school 'recognised as sector-leading'.<sup>8</sup>

There are other examples of this type of success throughout Scotland. But that is despite the system, and not because of it. What we need is a system that enables all schools to achieve what the best schools in Scotland, such as Berwickshire High School, have achieved.

8 L. Paterson & B. Robertson, 'How a Knowledge-Based Curriculum Could Transform Scottish Education', Reform Scotland (January 2025), p.1. [Link](#)





## Recommendations

1.	<p><b>Introduce a core, knowledge-rich curriculum.</b> This is not the same thing as a full-blown national curriculum. More pedagogical autonomy is absolutely necessary for schools. But at the same time, best practice shows we need guardrails – freedom, yes, but within a structure.</p> <p>For too long Scotland has lacked any proper structure or clarity as to what needs to be taught, with teachers hampered by vast amounts of nebulous guidance. All successful education systems – not just in England but countries such as Estonia and Singapore – have core curriculums and demand explicit high-level outcomes (usually about half a dozen). For example, they might insist that all children can read, with staging posts along the way, such as 90 per cent of children being able to read fluently by the age of eight or nine. The same principles should apply across other key areas such as maths and science.</p>
2.	<p><b>Abolish Education Scotland, while retaining an independent inspectorate, and replace it with a very small group of academics and teachers who have responsibility for the core elements of the curriculum.</b> It is regrettable that one of the original intentions in the Education (Scotland) Act to abolish Education Scotland was ditched. Whatever the reasoning, this is a mistake and a lost opportunity. Education Scotland is an unnecessary duplication of what already takes place in schools who have control over the content and design of their curriculum. It also contributes to Scotland's unnecessary over-centralisation.</p>
3.	<p><b>Every primary school should have a curriculum director – or at least access to one.</b> Depending on the size of the school, every primary school should have at least one curriculum director whose main role is combined with teaching duties, with half of their time given to curriculum development and design. In the case of very small primary schools these would form a cluster, and one curriculum director would have responsibility for several schools.</p>
4.	<p><b>Curriculum directors should have three-month sabbaticals every three years for research purposes and the opportunity to exchange ideas.</b> The role of the curriculum director should be to design an appropriate curriculum for their school based on the most recent research on methodology. Once the Inspectorate is satisfied that curriculum processes are being properly addressed and achieved, sabbaticals should be extended to all teachers in order to develop a deeper understanding of curriculum and methodology. The monies saved by abolishing Education Scotland could fund this.<sup>9</sup></p>

<sup>9</sup> Education Scotland has an annual budget of around £26.5 million and Scotland has around 1,900 primary schools. Reallocating the budget as suggested would therefore equate to around £13,900 per school per year – or £41,700 every three years. The process of allocation would need to be finessed of course, but this change would be roughly fiscally neutral.





**Adopt a Progress 8 style assessment appropriately adapted for Scottish schools.** Progress 8 is a secondary school performance measure in England that assesses the progress that pupils make from the start of secondary school compared with other children who started at the same level. It thus shows the value added by particular schools and whether pupils do better or worse at one school compared to another.

5. The really striking thing about this data is that it tells us what types of schools do best: schools which have high standards, firm discipline, strong leadership and knowledge-focused curriculums. The eight subjects that students are measured on are divided into three categories: English, maths and the best three English Baccalaureate subjects (natural sciences, computer science, history, geography and languages), and the best three other subjects, which can include additional EBacc subjects or other approved qualifications.

## Phonics

I have included phonics alongside curriculum because reading is indisputably the key skill for every child to master. If you don't have the basic skills of reading, then access to the rest of the curriculum is severely hampered, if not impossible.

The great irony here is that phonics is a Scottish success story – or should have been. Systematic Synthetic Phonics (SSP) was tested in Clackmannanshire in the 1990s, with the support of the Scottish Office.<sup>10</sup> It was a stunning success. As the Centre for Policy Studies chronicled at the time, academics running the trial found that those children who were taught using synthetic phonics were seven months ahead of expectations for their age in both reading and spelling; by the end of the academic year, the gap had widened to more than a year, with the advantage compounding as children moved up the school system. The trial was such a success that the control group of pupils was switched to using synthetic phonics, and promptly made similar improvements.<sup>11</sup>

SSP was originally offered to Scotland, but it was not deemed appropriate to make it statutory, on the grounds that the evidence was not yet strong enough. At the time, that looked like a misjudgement. In hindsight, it has been a disaster.

Since 2011, schools in England have been testing children in year one (age 5/6) on their phonics ability. The test – very different from anything I was using in my days as a primary school teacher – involves reading about 40 words. There are some real words and some made-up ones, because the goal is to test pupil's ability to decode the words and put sounds together.

As well as the test, the UK Government provided funding to 14,000 schools for phonics training and resources. Phonics is, therefore, well established in England – though amazingly, in Labour-run Wales the government continues to push a discredited method called 'cueing'. This means that rather than learning letter

<sup>10</sup> See for example: T. Burkard, 'The End of Illiteracy: The Holy Grail of Clackmannanshire', Centre for Policy Studies (October 1999). [Link](#)

<sup>11</sup> S. Ellis, 'Policy and Research: lessons from the Clackmannanshire synthetic phonics initiative' in F. Fletcher-Campbell, J. Soler and G. Reid (eds.) *Approaching Difficulties in Literacy Development: Assessment, Pedagogy and Programmes* (2009), pp.39-51.



sounds (phonemes) and how to blend them together, children in Wales are shown whole words along with pictures in the hope that they will memorise the whole word.

In England the shift to phonics has seen a much larger number of pupils develop their reading skills, which is why English primary school children are now the best readers in Europe. English schools have duly risen up the international league tables, particularly in comparison to Scotland and Wales.

The figures speak for themselves:

- The percentage of pupils in England meeting the expected standard in reading at the end of Key Stage 2 (end of primary school) rose from 66% in 2015/16 to 74% in 2023/24.
- The percentage of pupils meeting the higher standard in reading at the end of Key Stage 2 (end of primary school) rose from 19% in 2015/2016 to 29% in 2023/24.

Crucially, rising standards at the start of primary school has led to rising standards in the exams at the end of school.

**‘ Astonishingly, the National Education Union (NEU), the largest teaching union in England, continues to object to the phonics test on strange ideological grounds ’**

Why does this matter? Because as the original Clackmannanshire trial showed, gaps in capability at the start of school tend to snowball. Children who are left behind begin to feel demoralised and are unable to keep up. Knowledge is cumulative: the more you know, the easier it is to learn more. Learning is the enhancement of long-term memory. The salient point here is that children who are left behind (those who have not mastered the ability to read) become more and more disengaged. The damage becomes almost irreparable by the time they get to secondary school which contributes to the rise in non-attendance.

Astonishingly, the National Education Union (NEU), the largest teaching union in England, continues to object to the phonics test on strange ideological grounds, and indeed campaigns for the removal of all statutory testing in primary schools. Just over a third of teachers would like the check scrapped. But more want it to remain – and even many of those who oppose the test would not, at this stage, argue against the effectiveness of phonics as a regime.

The Scottish Conservative Party have recently advocated that children should be given the right to choose to leave school at 14 because some are simply not interested or engaged in any meaningful way. I would argue strongly that if we focus our efforts in the early years of primary school on rigorous and relentless teaching of phonics, the likelihood of disengagement and purposelessness later on will be far less of a problem than it is at present.

Yes, I argued above for schools to have greater freedom. But learning can only be built on solid foundations – and it is very, very clear what kind of approach builds those foundations. It is not too late for us to learn the lessons of Clackmannanshire.



## Recommendations

6.	<b>Make phonics statutory.</b> English primary school children are now the best readers in Europe, and some argue the world. This is due to making phonics statutory in the teaching of reading in every school, and testing children on their progress. A haphazard approach, or simply using phonics as an intervention for children experiencing difficulties, is not enough to ensure that no child slips through the net.
7.	<b>Rigorous phonics testing at ages five and six.</b> As has already been argued, there is no substitute for objective, standardised testing. If that is true of testing generally, then the same applies for the teaching of reading and a rigorous approach to phonics.  Everyone is agreed that the single most important skill for any child to master is the skill of reading. It is the gateway to learning. It is now the practice in some schools in England that as early as age four phonics testing is carried out six times a year. If this seems excessive, then it is driven by a passion both to understand how children learn to read and what are the specific barriers to learning that each child faces.
8.	<b>Funding for phonics research.</b> It is easy to give the impression that phonics has 'cured' everything. It has been hugely successful, but the phonics revolution is far from over. There is still much more work that needs to be done, which is why more money should be allocated to research and methodology. Phonics was pioneered in Scotland, even if we are yet to benefit from the subsequent revolution in standards. There is no reason Scotland could not resume the mantle of leadership and take the phonics revolution to the next stage.
9.	<b>Raise awareness of disciplinary literacy.</b> The development of higher order reading skills is a shared responsibility across the curriculum. Phonics is a means to an end and is particularly important to age eight, but all subjects have their own language, and disciplinary literacy is vital, so all teachers beyond eight should be teachers of literacy. Ireland has been particularly successful in promoting this approach.

## Assessment

Assessment, or the lack of proper assessment, is the single most important factor in understanding what has gone wrong in the Scottish system. It could be described as the fundamental fault from which all other problems arise. Furthermore, if we are serious about regaining our international reputation, it is crucial we address this issue with the frankness and open-minded attitude it deserves.

This may seem like a bold claim. Yet I believe it is supported by the evidence.

Systematic assessment provides us with the essential and necessary diagnostic tools for learning. Tests need to be devised in such a way that they can be used for diagnostic as well as accountability purposes.



This, unfortunately, is not the case at present. All teachers know what the purpose of testing is, but are hampered by a system which creates obstacles rather than makes life easier for them. Put simply, the Standardised Tests carried out at P1, P4, P7 and S3 are not linked to the curriculum, or at least to what is being taught. And because there is no curriculum in the traditional sense of that word, testing is neither standardised nor objective. Instead, teacher judgement is imposed on meaningless data.

This, in my opinion, is an intolerable situation for teachers in Scotland – one that to my knowledge does not exist anywhere else in the world. Many schools have had to resort to buying off-the-shelf testing (out of their own budgets) in order to get the diagnostic information they are lacking and crave. Such tests highlight strengths and gaps in reading and core subjects and reveal barriers to learning. They also identify and enable support for children with additional educational needs and provide evidence of progress.

**‘ Many schools have had to resort to buying off-the-shelf testing (out of their own budgets) in order to get the diagnostic information they are lacking and crave ’**

Another reason why testing is so important is that it provides teachers with the reassurance that children are at the expected level of achievement for their age. I once asked a Head Teacher if he could say with any degree of certainty that the reading age identified in National Standardised Testing correlated with the one tested in off-the-shelf tests. He could not.

To understand how we have arrived here, we need to go back to 2003, when the Labour/Lib Dem coalition abolished National Standardised Testing. The rationale for this decision was that children learn better in an environment where the stress of testing is removed. Yet the removal of standardised testing had catastrophic consequences for Scottish education.

Not only was it a mistake from a purely practical standpoint, but the removal of testing allowed a culture of anti-testing to evolve and develop. If proof were needed, a report recently commissioned by the Green Party concluded: ‘While it is necessary to collect meaningful data about the quality of the system, there is ample evidence in Scotland that crude use of data to achieve accountability goals has a major effect of generating perverse incentives.’<sup>12</sup>

The Greens and others argue that standardised testing should be abolished. And undeniably, they are well meaning: you can see from England and elsewhere how schools can ‘teach to the tables’, i.e. distort their teaching practices to maximise their position in the league tables.

But the alternative cannot be to have no accountability at all. Indeed, the reasons the Greens give are not backed up by the research that they commissioned. The professors who produced the report wrote: ‘Following these policy decisions (CfE and National Standardised Testing), Scotland has ended up with an educational accountability system which faces in two directions at once.’<sup>13</sup>

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<sup>12</sup> C. Ross, ‘How thousands of Scottish youngsters are ‘written off’ under SNP’s ‘perverse’ school testing regime’, *The Scotsman* (4 October 2024). [Link](#)

<sup>13</sup> Ibid.



The way to raise attainment is not to abolish testing, but to ensure that both testing and the curriculum face in the same direction.

The report also highlights concerns among senior school leaders who pointed out that too many different kinds of data existed in the system, and there was not always confidence that politicians understood the figures they were using. This view could be regarded as charitable.

One head quoted in the report said: 'The local government benchmarking toolkit that [elected councillors] use is a different data set than the data set that schools use. Which is a different data set again from the National Improvement Framework Toolkit, but this creates confusion when talking about how schools are doing, because it very much depends which cohort you measure, when you measure them and what you include.'<sup>14</sup>

No wonder when parents/carers ask at meetings how their child is doing, they are met with answers like: 'Don't worry, you don't need to know any of the details!' The data is so unreliable that it simply does not stand up to cross-examination.

**‘ Parents are actively discouraged from asking searching questions about their child’s true ability. And when they do, the responses are meaningless waffle ’**

All too often I have read in an inspector's report the following: 'Staff should continue to develop their approaches to assessment by using the benchmarks to ensure that they are able to make more robust and reliable judgements about learners' progress.' But when the benchmarks are not made explicit in terms of the results of the standardised assessments, teachers will inevitably make judgements which are unreliable and overly optimistic. Reliable data is available, but teachers are not required to base their judgements upon it.

Sadly, this problem persists because research evidence has become subordinated to an anti-testing ideology. This way of thinking has been allowed to develop for years so that the mere mention of league tables is likely to provoke a strong reaction in many quarters.

As already mentioned, when parents ask how their child is doing in say, reading, they are often not given any information regarding their child's true ability, but reassured that if there was a problem, they would be told. Parents are actively discouraged from asking searching questions about their child's true ability. And when they do, the responses are meaningless waffle.

When Scotland began to slip even further down the PISA tables, it became clear to the SNP that the mistake of 2003 had to be rectified. As a result, National Standardised Testing was reintroduced by Nicola Sturgeon in 2015. It was a welcome step in the right direction. But by then the genie had escaped from the bottle. Not only had a culture of anti-testing been allowed to flourish, but the stranglehold of those holding such views had started to dictate the agenda. Thanks to firm union opposition, the results of the tests are still not published – even though Nicola Sturgeon was keen on publishing the test results at the time.

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<sup>14</sup> Ibid.



Additionally, although Scotland has consistently taken part in the PISA survey, we have still not rejoined other international programmes which capture other important dimensions of education, notably Trends in International Mathematics and Science Study (TIMMS) and Progress in International Literacy Study (PIRLS). TIMMS assesses S1 and S2 students worldwide and has been established since 1995, is administered every four years and is more wide ranging, including data on student performance in various mathematical and science domains (algebra, geometry, biology, chemistry, etc) and problem-solving in each of these contexts. PIRLS is an international study of reading (comprehension) achievement in 9- to 10-year-olds and provides data not only on how well children read but also – crucially – offers policy-relevant information.

There is no evidence that testing children has adverse effects on mental health, yet a culture of anti-testing has been allowed to flourish and permeates the current educational consensus – to the point where we have actively resisted comparing our children against their counterparts in other countries, for fear of what we might discover. This is the key ideological battle which needs to be fought and won if years of decline are to be reversed.

### Recommendations

10.	<p><b>Standardised testing should be aligned to the core curriculum.</b> All successful education systems, such as those in Estonia and Singapore, have measures of progress through the system similar to the 5-14 programme and Key Stages in England.</p> <p>The standardised tests introduced by Nicola Sturgeon and produced by the Australian Council for Education Research, an internationally leading organisation, are widely recognised as being good tests, but the full results are not published, and teacher judgements are imposed on top so the results are neither standardised nor objective. The results should be published in full.</p>
11.	<p><b>Reintroduce the Scottish survey of literacy and numeracy.</b> This survey will give an indication of progress up until pupils take exams. It is a sample survey and therefore not disruptive. It will help restore robust data to the system. Teacher judgement is important – but when this appraisal has the potential to be fundamentally misunderstood, it raises serious doubt about the reliability of the data and actual performance.</p>
12.	<p><b>Ensure Scotland rejoins all international surveys.</b> Although this has been announced, it is imperative that this policy is not ditched after next year's Holyrood elections. TIMMS and PIRLS offer vital information that should lead us to develop better education policy.</p>
13.	<p><b>Implement a national council-led attainment scrutiny strategy.</b> Council officers, including chief executives, are employed by the council and are accountable to the elected members. Councillors, at present, cannot hold officers to account for attainment in schools largely because they do not have the necessary data.</p> <p>Elected members who sit on education committees need to act like a board of governors. Officers are accountable to elected members, not to MSPs or the Scottish government, nor to the Inspectorate. Schools should be held accountable in public just as universities, colleges and other public institutions such as hospitals are held accountable. That is why all data relating to testing and inspections must be accessible for scrutiny.</p>





14.

**Re-engage parents with education.** When I was a primary school teacher, the first thing that a parent wanted to know at parents' evening, and was encouraged to ask, was: 'How well is my child doing at reading? What is his/her reading age?' That question is no longer asked – or if it is asked, there is a reluctance to answer it because the data is meaningless and does not stand up to scrutiny. There is now a lack of understanding on the part of parents not only of issues such as testing, but also of wider issues and attitudes to education. Better data is the key to renewing parental confidence in the educational system.

## Discipline

Scottish schools are experiencing a huge increase in pupil violence, with classroom behaviour deteriorating massively and non-attendance outstripping England. My colleague in Edinburgh, Miles Briggs MSP, has uncovered via Freedom of Information research that an incident of physical or verbal abuse took place every two minutes of the school day in 2024, while instances of weapons being used in schools have increased by 50% compared to pre-pandemic levels.<sup>15</sup>

**‘ Scottish schools are experiencing a huge increase in pupil violence, with classroom behaviour deteriorating massively and non-attendance outstripping England ’**

I believe in restorative justice, but the approach adopted by local councils to tackle this unacceptable behaviour is neither restorative nor just. I have sat in meetings where officers have argued that the term 'bully' should not be used of someone whose behaviour can be described as unwanted, offensive, threatening, intimidating and physically abusive. That both victim and perpetrator must be on a level playing field. It seems to me that the issue of discipline and the advice given to teachers is not the only area of education where there is self-evident lunacy.

One key factor which has had a significant impact on worsening behaviour is that there is less support from parents in tackling indiscipline in schools. One head teacher in Wales makes the parents of repeated offenders come and sit next to their badly behaved child during a lesson. The result is that they never have to ask the same parent twice. This approach assumes that parents are willing to comply, but that might not always be the case.

Whatever the methods used, there is a clear need for urgent action. As teaching unions, behaviour experts and opposition have highlighted, the wholesale adoption of the restorative approach to pupil discipline is not working. There needs to be a much stronger focus and emphasis on the serious consequences for this level of disruptive behaviour.

<sup>15</sup> L. Brooks, 'Schools in Scotland witness 'exponential increase' in pupil violence', *The Guardian* (6 February 2025). [Link](#)





## Recommendations

15.	<b>We need a nationally agreed set of parameters of what is unacceptable behaviour.</b> Head teachers, not local authorities, should be responsible for setting out this national set of clear parameters of what is unacceptable behaviour.
16.	<b>Head teachers should be given powers to exclude pupils.</b> Head teachers must be allowed the powers to exclude the most violent pupils and serial disruptors. Legislation is needed to ensure that parents of children who are aggressive in the classroom are made to attend classes with their children. If this does not have the desired effect, then exclusion becomes the last resort.  It is extraordinary that a policy of zero tolerance applies to nearly all public services for adults: hospitals, council offices, libraries and doctors' surgeries and yet the same rule does not apply to children in school.

## Closing the poverty attainment gap

In her early days as First Minister, Nicola Sturgeon famously announced that her main focus, and the issue above all on which she should be judged, was closing the education gap between rich and poor. She failed.<sup>16</sup>

Closing the poverty attainment gap remains the single most challenging task which the education system faces – not only in Scotland, but throughout the UK. In an ever-changing social context which takes into account the effects of Covid, the increasing adverse impact of social media and the breakdown of the 'conventional' family, the poverty attainment gap stubbornly refuses to close to any significant degree.

Of course, the very term 'poverty attainment gap' can be problematic. Logically, if attainment is the bread and butter of education, then raising attainment is the aim for every child. In effect, if you raise attainment for everyone, you will always have a gap. Attainment and poverty are two separate issues and to conflate the two is a mistake.

Yet what is clear today, and has been for many years, is that there are a significant and increasing number of children for whom school simply doesn't work, and for whom Covid has exacerbated this feeling of isolation and disengagement. These pupils have become completely uninterested for a variety of complex reasons and the traditional model of the established school is anathema to them.

These children do not want to attend school, nor are they benefiting from it. However, they still want to belong. This sense of identity and the need to belong is fundamental to children who, for whatever reason, do not relate to 'school'.

As mentioned above, the Scottish Conservative Party recently advocated that such children should be allowed to leave school at 14. I do not wish to get into an argument about the rights or wrongs of this proposed policy, but I do believe that there is another solution to the problem of disengagement.

<sup>16</sup> S. Macnab, 'Nicola Sturgeon: Judge me on education record', *The Scotsman* (19 August 2015). [Link](#)



If we get early years right, which means an effective nursery model with specific measurable outcomes, the rigorous approach to phonics outlined above, and national standardised testing which is both objective and standardised, then the likelihood of disengagement at secondary level reduces significantly.

However, there will still be children who will not fit in. For these children an entirely different approach is called for. Such a model was tried and tested at Newlands Junior College (NJC) in Glasgow. The brainchild of successful entrepreneur Jim McColl, the project was carried out in partnership with Glasgow City Council from 2014 to 2019. It was hugely successful in getting a particular group of disadvantaged and disengaged young children into truly positive and sustained destinations.

In short, it turned the traditional model of education on its head: it transferred the autonomy of the teacher/school to the child. With one-to-one mentoring and a focus on personal development, children saw the curriculum as relevant because they had a say in its design and development.<sup>17</sup>

**‘ With one-to-one mentoring and a focus on personal development, children saw the curriculum as relevant because they had a say in its design and development ’**

The Newlands model was effective for those children who were totally disengaged. And there are, of course, other examples in Scotland such as Scrان.

Of course, there is a broad spectrum of disengagement, and this model is not appropriate in every circumstance. Some pupils may just need more vocational education along the lines of German technical schools, which include a general education as well. There may be a need for a third type of school – locally determined and in conjunction with Further Education (FE) colleges if possible. The Newlands experiment and other similar models would also be helped if local authorities let teachers move between different schools more easily, and by giving all establishments greater autonomy.

Some might say that this approach is overly paternalistic.

Well, Jim McColl was initially asked to investigate two areas of concern by the Scottish Government: the suitability of school leavers for employment and the disengagement of a large minority of school leavers. He produced recommendations which ultimately were not adopted by the Scottish Government. But he did not leave it there. He felt morally bound (not something you hear very often) to turn his findings into practice himself. He intended this as a demonstration, a model of ‘a junior college for young teenagers that would give them support and opportunity to move onto a successful and rewarding future’. This is paternalism in the best sense of the word – and it worked.<sup>18</sup>

Indeed, I was struck when speaking with Alex Stewart (one of the founding members and participants in McColl’s experiment) by the emphasis he put on one-to-one mentoring as the single most important factor that contributed to the success of the project.<sup>19</sup>

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17 Newlands Junior College, ‘Newlands Junior College: Report 2014-2019’ (January 2021).

18 C. Brown, ‘Jim McColl unveils plans for vocational college’, The Scotsman (24 September 2014). [Link](#)

19 Obviously this can be costly, but as set out in ‘Newlands Junior College: Report 2014-2019’, it is eminently achievable.



This method of engaging the disengaged is called for not just in education, but more broadly as a response to trends in anti-social behaviour.

Of course, the success of the Newlands project was attributable to many other factors as well:

- Strong positive relationships between students and a small staff
- Intimate scale
- High expectations and positive ethos
- Creative leadership
- Attitudinal change
- A curriculum seen as relevant
- Effective, creative partnerships with further education and employers
- Flexible, adaptable, real work experience which motivates and excites students
- A focus on personal development
- Nurture (including meals, uniform, transport)
- High quality separate premises
- Support into positive destinations
- Follow-up to keep students in positive destinations

Much of the above is part of mainstream education throughout Scotland and the UK. Many schools have achieved success without recourse to a totally different model. Some areas of the UK have done noticeably better than others.

**‘ We also need to have an answer for those children who have become alienated from the mainstream education system – with tragic consequences ’**

London has done particularly well in serving disadvantaged children and much of its success can be attributed to immigration and the desire of newcomers to see their children given every opportunity to succeed. There are other reasons:

- a. Political will and funding that stayed consistent over time. The London challenge kicked it off.
- b. The use of Teach First to provide additional talented resource into under privileged school communities
- c. Close support of corporate employers in the region for mentoring, skills and work experience
- d. A raising of standards and expectations within schools demanding more of teachers themselves as professionals as well as better outcomes for their students
- e. Funding from large employers and their charitable entities into skills, education and social mobility (London benefits from access to a lot of financial and professional services)
- f. The embrace of diverse schools – academy trusts and free schools help to drive competition and cross fertilisation of ideas and best practice

But I believe that as well as incorporating these principles within the mainstream education system, we also need to have an answer for those children who have become alienated from it – with tragic consequences.



## Recommendations

17.	<p><b>Set up learning hubs along the Newlands model in all areas of multiple deprivation as defined by the Scottish Index of Multiple Deprivation (SIMD 1&amp;2).</b> These hubs of up to 50 children could operate in local community centres. They would be under the direct control of the local school and receive additional funding from a newly created Investment Fund (see Recommendation 19).</p> <p>The link with the school is essential – these hubs are not separate institutions, but an extension or alternative to the local school. Their size should not exceed 5% of the school population. Just as mainstream schools should be given as much autonomy as possible with regard to the curriculum, so these hubs should enjoy the same freedom. Hubs would also be subject to the same inspections carried out by the Inspectorate.</p>
18.	<p><b>Create a new national investment fund.</b> It is important that there is political will here and funding that stays consistent over time. Funding from large employers and corporations should be sought along the lines of Newlands Junior College.</p>
19.	<p><b>Ensure the close support of employers in the region.</b> Work placements and a focus on getting young people into worthwhile jobs were central to the NJC ethos. That was the significance of Arnold Clark's contribution, as set out in the NJC report, which was training rather than cash.<sup>20</sup></p>
20.	<p><b>Promote the use of Teach First to provide additional talented resource into under-privileged school communities.</b> Teach First is a social enterprise registered as a charity which aims to address educational disadvantage in England and Wales. Teach First coordinates an employment-based teacher training programme whereby participants achieve Qualified Teacher Status through the participation in a two-year training programme that involves the completion of a PGDE along with wider leadership skills training and an optional master's degree.</p> <p>Trainees are placed at participating primary and secondary schools where they commit to stay for the 2-year training programme. The schools are where more than half of the students come from the poorest 30% of families. The aim is to address educational disadvantage either in school or other sectors.</p>
21.	<p><b>Review guidance for wellbeing.</b> Engaging the disengaged is a much wider issue than just school attainment and employment outcomes. Engagement affects every student and at every level. Of course, an obsession with attainment in itself is not wrong – but it has to be balanced with the individual wellbeing of every child. It is interesting that Singapore, which consistently leads the PISA tables, prides itself on a holistic approach. It is important, therefore, that those in government are always checking that the correct balance is being struck and that attainment is not at the expense of the wellbeing of every child. A new review of wellbeing guidance needs to look at a rebalancing in favour of those in roles of wellbeing who are underpaid compared to their colleagues in academic roles.</p>

20 Newlands Junior College, 'Newlands Junior College: Report 2014-2019' (January 2021), esp. pp.4, 11.

## Early years

Very soon after becoming a councillor, my colleague on the education committee and I were approached by the Associations representing the private sector for their help in establishing a more transparent and better funding model for private nurseries. This resulted in a report detailing the funding per hour per child for early years for the private, voluntary and independent sectors as opposed to the state sector.

One of the main complaints from the private sector is inequality of funding, as well as the refrain that they are not being treated as equal partners. Indeed, from my analysis, in 2022-23, children attending a City of Edinburgh Council nursery received an extra £1,537 of funding compared with children attending private nurseries.

**‘ If an independent nursery meets the standards of the relevant national Inspectorates, parents should by right be able to take their full government-funded entitlement there as a ‘virtual voucher’ ’**

This is both unfair and counterproductive. The council hold all the cards, not only in determining how the funding from the Scottish Government is allocated, but also in its control of an Inspectorate which is not independent. Councils are able to pay a higher salary to nursery staff as well as to provide training from their budgets.

The think tank Reform Scotland, now Enlighten, has put forward a simple suggestion to correct this. If an independent nursery meets the standards of the relevant national Inspectorates, parents should by right be able to take their full government-funded entitlement there as a ‘virtual voucher’. This is not radical and already happens in some areas of Scotland. This online scheme should be extended to all working families.

### Recommendations

22.	<b>Implement an online virtual voucher.</b> This would simply entail widening already existing best practice to the whole of Scotland.
23.	<b>Review the quality of early years education.</b> Too much focus has been given to the quantity of early years education at the expense of the quality. Whatever model is provided for early years, the need for measurable specific outcomes is required.



## Conclusion

I began this chapter by highlighting the obvious decline in standards in Scottish schools. At present, there is no clear political strategy either to address the fundamental problems which beset the system or to find credible solutions to fix them. Although there is an appetite for change, there is as yet no political grouping courageous enough to reach out across party lines to effect the necessary changes. I have offered an analysis which argues for an education system which combines more devolution with more centralisation of standards – the autonomy of means with the same end goal. Ultimately, the recommendations I have put forward are for political leaders of all parties to either accept or reject. Now, more than ever, there is a desperate need for clarity and statesmanlike political leadership.

However, I do not believe there can be any progress, let alone a recovery of our international reputation, without addressing the fundamental problems around the curriculum and assessment. Devolution gave Scotland the opportunity to excel and to maintain its reputation as world-leading. Let us grasp that opportunity instead of settling for second best.

**‘ I do not believe there can be any progress, let alone a recovery of our international reputation, without addressing the fundamental problems around the curriculum and assessment ’**

### About the author

*After studying Theology and Religious Studies at Leeds University, Tim Jones trained as a Middle Years teacher and has worked in both the public and private sectors. He taught English abroad in Holland, Kuwait and then Italy with the British Council. Returning to the UK, he changed career and worked for Standard Life first as Financial Advisor and then as a senior consultant.*

*In 2014, he left financial services to pursue a lifelong passion as a playwright. As a consequence of the professional staging of his first play, he was made the Ruth Etchells Fellow at St John's College, Durham to develop and complete his second full-length play.*

*He has always had a passion for politics, and stood in 2022 for election and won, becoming the Scottish Conservative Councillor for Portobello and Craigmillar. He has served as lead on the council's education committee for two years and now currently sits on the culture and communities committee as spokesperson.*



# A plan to revitalise NHS Scotland

*By Prof Alan McNeill, with contributions from Charles Winstanley, Dr Anna Gregor, Dr Gavin Boyd, Prof Allan Cumming, Dr Andrew Dunlop, Dr Belinda Hacking and Prof Colin Robertson*

‘No society can legitimately call itself civilised if a sick person is denied medical aid because of lack of means.’

**- Aneurin Bevan**

With so much written about the NHS in recent years – notably by the Academy of the Medical Royal Colleges,<sup>1</sup> many think tanks, a former Scottish shadow public health minister<sup>2</sup> and a former Cabinet Secretary<sup>3</sup> – some may wonder why we have sought to compile and present our thoughts at this time.

We do so to draw together a commentary on what we, as a group of experienced clinicians, believe has gone wrong with the NHS in Scotland, why this has happened, what others are doing better, and to present some possible solutions for discussion prior to Scotland’s parliamentary election in 2026.

**‘ We sincerely hope that this essay promotes genuine discussion about meaningful reform – reform that will restore a high-quality national health service that always delivers excellent value for money ’**

We sincerely hope that this essay promotes genuine discussion about meaningful reform – reform that will restore a high-quality national health service that always delivers excellent value for money and is based on clinical need and not a person’s ability to pay, as we all adhere to the sentiment expressed by Aneurin Bevan in the quote above. We hope our views are not perceived or portrayed as being aligned with any single political ideology but rather seen as a manifesto for constructive change.

## What has gone wrong?

If only one or two parts of health and social care were in a bad way, perhaps fixing it would not be such a fraught task. But unfortunately, as we set out below, there are at least nine areas or aspects of NHS Scotland (NHSS) where the people of Scotland are being served poorly, from overall health outcomes through staffing to the provision of primary, secondary and social healthcare. Many of these problem areas of course feed into each other in a vicious cycle.

There are certain common themes that crop up again and again. Perhaps the most important of these is centralisation versus decentralisation. In his opening essay to this collection, Malcolm Offord exhorts us all to rediscover the Smithian principles

1 AOMRC, ‘Fixing the NHS Why we must stop normalising the unacceptable’ (September 2022). [Link](#)

2 R. Simpson, ‘Scotland’s NHS: What’s Wrong With it, And Thoughts on How to Fix it’, Enlighten (19 April 2025). [Link](#)

3 A. Neil, ‘My Action Plan to Fix the National Health Service in Scotland’ Enlighten (29 January 2025). [Link](#)





upon which Scotland's prosperity was built. In the context of the NHS in Scotland, it is hard not to call to mind Adam Smith's admonition about the 'man of the system' – the central planner – who is:

'...often so enamoured with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it... He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that in the great chess-board of human society, every single piece has a principle of its own.'

Scotland (and the UK as a whole) has a remarkably centralised, bureaucratic and top-down healthcare system compared to many of our European neighbours – one which does not place enough trust or responsibility in the hands of either clinicians (as opposed to non-clinical managers) or patients.

## 1. Health care outcomes and waiting times

In the last two decades, healthcare outcomes and productivity in Scotland and the rest of the UK have deteriorated relative to many similarly wealthy countries, as per the table below.<sup>4, 5</sup> This should persuade us that the current model of healthcare in NHS Scotland (NHSS), and arguably the whole of the UK, is outdated and unable to quickly adopt changes in practice that benefit the population it is there to serve.

This decline in healthcare outcomes and productivity predates the Covid pandemic, which certainly exacerbated, but did not cause these declines.<sup>6</sup> The consequence is the widely publicised rise in waiting times for many conditions including cancers. Efforts to reduce these with extra funding for waiting list initiatives have provided only temporary improvement, as they have not addressed the underlying structural and productivity issues that have caused them.

### Summary of rankings of healthcare outcomes up to 2020 or latest available year

	Life expectancy	Breast Cancer	Colon Cancer	Rectal Cancer	Lung Cancer	Stomach Cancer	Diabetes admission	Diabetes amputat.	COPD	Ischaemic Stroke	Haemo Stroke	Acute Myocardial Infarction	Treatable Mortality	Neonatal Mortality	Perinatal Mortality	Maternal Mortality
Top	JPN	USA	AUS	AUS	JPN	JPN	ITA	GBR	ITA	NLD	PRT	NLD	AUS	JPN	JPN	DNK
2nd	AUS	AUS	BEL	CAN	CAN	BEL	ESP	FIN	PRT	DNK	SWE	CAN	FRA	FIN	FIN	IRL
3rd	IRL	JPN	JPN	BEL	USA	AUT	NLD	IRL	FIN	FIN	FIN	PRT	JPN	SWE	PRT	NLD
4th	ESP	SWE	CAN	NZL	AUT	DEU	PRT	SWE	SWE	CAN	NLD	DEN	NLD	PRT	ITA	AUS
5th	SWE	CAN	USA	NLD	SWE	USA	SWE	AUS	NLD	PRT	CAN	SWE	SWE	ITA	AUS	AUT
6th	FRA	FIN	SWE	JPN	AUS	PRT	GBR	NLD	ESP	SWE	DNK	ESP	ESP	ESP	DNK	DEU
7th	ITA	NZL	FIN	DNK	DEU	AUS	IRL	ESP	AUT	ESP	ESP	NZL	ITA	DEU	ESP	ESP
8th	NZL	PRT	DEU	SWE	BEL	ITA	CAN	DEU	CAN	NZL	NZL	FIN	BEL	GRC	SWE	ITA
9th	FIN	FRA	ITA	FIN	IRE	CAN	FIN	DNK	GBR	GBR	GBR	GBR	CAN	AUS	NLD	JPN
10th	CAN	NLD	NZL	AUT	FRA	IRE	DNK	AUT	DEU				FIN	AUT	NZL	BEL
11th	DNK	BEL	FRA	USA	NLD	ESP	BEL		BEL				DNK	BEL	USA	SWE
12th	NLD	DNK	AUT	GBR	DNK	FRA	AUT		DNK				AUT	FRA	IRL	GBR
13th	GRC	ITA	ESP	DEU	ITA	FIN	DEU		AUS				IRL	DNK	CAN	NZL
14th	AUT	DEU	NLD	IRL	PRT	NZL			IRL				NZL	GBR	AUT	CAN
15th	PRT	GBR	DNK	ITA	NZL	NLD							DEU	NLD	DEU	FRA
16th	DEU	ESP	PRT	FRA	ESP	SWE							PRT	NZL	GBR	FIN
17th	BEL	AUT	IRE	PRT	GBR	GBR							GBR	CAN	BEL	GRC
18th	GBR	IRL	GBR	FIN	GBR	DNK							USA	USA	GRC	PRT
19th	USA														FRA	

4 T. Knox, 'International Health Care Outcomes Index 2022: Update', Civitas (July 2022). [Link](#)

5 'A Fractured Service: A Report on NHS Scotland', Our Scottish Future (November 2022). [Link](#)

6 S.A. Shah et al, 'Impact of COVID-19 pandemic on elective care backlog trends, recovery efforts, and capacity needs to address backlogs in Scotland (2013–2023): a descriptive analysis and modelling study', *The Lancet Regional Health Europe* 50 (March 2025). [Link](#)



Whilst the Scottish Government have recently published an NHS Scotland Operational Improvement Plan setting out some specific interventions to address parts of the service most under pressure,<sup>7</sup> we firmly believe that there is an urgent need for politicians to publicly accept that: a) without truly significant reform NHSS will remain unable to meet the challenges it faces; and b) as a society we need to reevaluate how the NHS offers us best value for money.

Whilst we welcome the recognition and proposals within the Operational Improvement Plan, we do not believe that it properly addresses the financial, structural and cultural issues that need to be dealt with to truly preserve the NHS in Scotland. If we do not address these big issues urgently, then there is a real danger that the clinical experience needed to restore a high-quality health service will be lost, as those with experience of the period when NHS standards surpassed most other countries will have left the service through retirement or, like many of the young doctors we need for the future, by seeking posts outside NHSS and overseas.

**‘ In the last two decades, healthcare outcomes and productivity in Scotland and the rest of the UK have deteriorated relative to many similarly wealthy countries ’**

## 2. Politics and policy

The current short political cycle means that long-term decision making by politicians on how healthcare is delivered seems at best challenging, if not impossible. This is despite the same political party being in power in the UK for 14 years (Conservative) and in Scotland for 18 years (SNP). Both represent a longevity that glaringly contrasts with the fact that the post-war government which established the NHS did so within five years. The current misalignment in the timing of the electoral cycles within the UK and a reluctance to change the NHS may compound this. There may also be inertia within the NHS establishment and government, where there may be people with vested interest in maintaining the status quo.

Whilst many reforms have been implemented, none have thus far been wholly effective as remedies to the health service's ailments. An attempt to establish an overarching body responsible for delivery of healthcare that was 'independent' of the government in England has been judged as unsuccessful, and this body, NHS England, is to be abolished. The current UK Labour Government published a new 10-year plan for the NHS in summer 2025, which pledged 'to deliver a more diverse and devolved health service'.<sup>8</sup>

This would seem to be a step in the right direction, although worryingly, not much in this section of the plan appears to be genuinely innovative compared to the 'integrated care' reforms of recent years, or indeed the age-old emphasis on patient choice – always promised but rarely delivered. It remains to be seen whether the NHS south of the border can effectively break away from over-centralisation without creating a quagmire of bureaucracy in its place.

<sup>7</sup> Scottish Government, 'NHS Scotland operational improvement plan', Cabinet Secretary for Health and Social Care (31 March 2025). [Link](#)

<sup>8</sup> DHSC, 'Fit for the future: 10 Year Health Plan for England' (July 2025), p.12. [Link](#)



### 3. Finances and funding

Estimates of the proportion of GDP spent on health and social care in the UK vary between 9-12%, depending on the publication, with some other countries spending more, and in many cases less, whilst achieving better outcomes as shown (as per the table above).<sup>9</sup> There are also differences in the ratio of GDP per capita between the UK and other European countries that affect the total amount available for healthcare spending even if the percentage of GDP spent on healthcare is similar.

Additional spending cannot and does not serve as a cure-all. The way Scotland is funded has enabled higher per capita funding in NHSS than in England, but Scottish waiting lists for routine surgery are longer than in England. This could be attributed to the management systems and the market in NHS healthcare within the NHS in England promoted by Tony Blair's Labour Government in the early 2000s. Over the past decade this market was partially reversed by the Conservative administration, a move which was associated with a deterioration in services and longer waiting times – a trend that has since been acknowledged and is now (at least notionally) being addressed by the current Labour government in Westminster.

**‘ The way Scotland is funded has enabled higher per capita funding in NHSS than in England, but Scottish waiting lists for routine surgery are longer than in England ’**

In short, there can be no doubt that our current structures are relatively inefficient and leading to poorer outcomes when compared to our European peers, irrespective of spending.

There have been calls for increased spending on healthcare in Scotland and the rest of the UK to address these shortcomings, but as stated, the healthcare outcomes and productivity that are being achieved by the NHS currently fall below those of these other countries that spend a similar amount or less on healthcare. Therefore, unless significant change occurs in the outcomes, efficiency, and productivity currently delivered by NHSS – as has been recommended by Audit Scotland<sup>10</sup> – it seems very unlikely that we will benefit from greater spending on healthcare. Such changes should also be focused on reducing waste within NHSS, which would also help ensure that funding is spent on improving patient outcomes and experience.

In particular, the block-funding model used by the NHS Scotland Resource Allocation Committee (NRAC) has led to budgets being set largely on a historical basis. Despite the existence of a formula intended to refine funding to match demographic change, we believe that this has not achieved its purpose, which has contributed to poor performance particularly in areas of population growth or with high rates of tertiary referral for specialist services.

<sup>9</sup> ONS, 'Healthcare expenditure, UK Health Accounts: 2023 and 2024' (30 April 2025). [Link](#)

<sup>10</sup> Audit Scotland, 'NHS in Scotland 2023' (February 2024). [Link](#)



## 4. Structure and culture

In his book *Zero*, Jeremy Hunt – who was Secretary of State for Health and Social Care in the UK government from 2012 to 2018 – states:

‘Back in 1983, the Sainsbury’s executive Roy Griffiths wrote a report for Margaret Thatcher which recommended breaking the stranglehold of ‘vested interests’ (senior consultants in her view) on hospital management.<sup>11</sup> There then followed a sustained attempt to wrest management out of the hands of consultants into the hands of a professionally trained ‘management cadre’. The results have been mixed: while some of the new manager class have gone on to be outstanding leaders, others found it very difficult to manage doctors who are reluctant to take orders from someone without clinical training. At the same time, the opportunity was missed to turn a generation of smart doctors into a generation of outstanding leaders.’<sup>12</sup>

In his *Reform Scotland* paper on the NHS, former Cabinet Secretary Alex Neil observed:

‘The quality of management is variable. In my view the NHS would benefit from having more managers who are medically qualified and experienced.’<sup>13</sup>

**‘It seems reasonable to state that NHS Scotland is a politicised bureaucracy, with politicians serving both as the funders and as the protectors of what has until recently been viewed as a national treasure’**

It seems reasonable to state that NHS Scotland is a politicised bureaucracy, with politicians serving both as the funders and as the protectors of what has until recently been viewed as a national treasure. Under the umbrella of NHSS are many organisations responsible for directing various aspects of healthcare, but without being directly responsible for delivery.

Scotland is a small country and the size of NHSS is such that central control has been possible. This has resulted in a command-and-control culture where managers who are directly responsible for performance are incentivised to respond to demands from above that may conflict with focusing on delivery of high-quality care by motivated and happy staff. In many areas this has led to a disconnect between management and clinical staff, which has been compounded by ‘tribalism’ within a management system that has relatively few experienced doctors who are respected by their peers for their clinical ability and have been trained or involved in management.

As Health Boards are constantly responding to directives from the Scottish Government, the Health Policy Unit in St Andrew’s House, or other quangos such as the Centre for Sustainable Delivery, which can be multiple and sometimes conflicting, their management may be distracted from developing services based on local need.

In addition, managers often have little formal training and learn their management style from those above them. In a command-and-control type of system, this leads to some in management not listening or responding to suggestions or innovations from

<sup>11</sup> R. Griffiths, ‘NHS Management Inquiry’, DHSS (1983).

<sup>12</sup> J. Hunt, *Zero: Eliminating unnecessary deaths in a post-pandemic NHS* (May 2022).

<sup>13</sup> Neil, ‘My Action Plan’.



the clinical workforce. This contributes to frustration, burnout in clinical staff and what might be described as a 'toxic' culture within these organisations.<sup>14</sup>

In his book, Jeremy Hunt highlighted these issues, while acknowledging that individual healthcare practitioners remain deeply committed to delivering high-quality patient care. People experience this when they can get access to healthcare as patients, but the culture within the NHS has led to a loss of patient-centred care at system level, where healthcare is often managed as if it is a commodity and experience of staff is undervalued.

Given that Hunt recognised these issues during his seven-year tenure as Health Secretary in Westminster, but was unable to effect much of the change he sought, we must address what it is about the system that prevents such change.

It also seems reasonable to think that delegation of responsibilities and power to local management groups should allow greater flexibility in design of services that could meet local needs and promote better relationships between management and staff – indeed, this is the argument currently being made by Hunt's successor, Wes Streeting.

**‘ The culture within the NHS has led to a loss of patient-centred care at system level, where healthcare is often managed as if it is a commodity and experience of staff is undervalued ’**

## 5. Recruitment, training and retention

NHSS is facing a recruitment and retention crisis in almost all areas other than management and administrative roles. It is short of nurses, laboratory technicians, and all grades of doctors in most specialties. Consequently, it is spending a large amount on temporary (locum) and bank staff.

Competition for medical school places in Scotland is at its lowest ebb, our young doctors are leaving to work in countries like Australia, and more and more nurses, consultants, and other healthcare staff are leaving or retiring early.

Over the last 20 years we have implemented a European/North American style of training postgraduate doctors that has shortened the period of training and narrowed its focus. However, we have not implemented a European/North American approach to structuring hospital departments in a hierarchical way that we believe encourages longevity in careers and allows the most experienced doctors or consultants to guide and support younger colleagues as they accrue experience after passing their specialist exams. This is particularly noticeable in craft specialties like the surgical specialties, where learning and accrual of experience only truly ceases at retirement, but will also be true in nursing and for all allied health care practitioners.

Problems with recruitment and retention are UK-wide issues, resulting in two thirds of doctors registering with GMC last year being overseas graduates, which is exacerbated by a shortage of training slots for UK graduates. In addition, many commentators have expressed concern about the quality assurance of the training of doctors who have qualified outside the UK.

<sup>14</sup> See for example: G. Bowditch, 'Toxic work culture in the NHS is a matter of life and death', *The Times* (26 January 2025). [Link](#). Also: A. Picken & L. Summers, 'NHS staff given apology for 'toxic' workplace culture' *BBC News* (1 May 2025). [Link](#)



## 6. Primary care – GPs

In Scotland, as in the rest of the UK, primary care is delivered by what are in essence small businesses managed by their partners (general practitioners) and funded almost entirely by the Health Boards, largely on a capitation basis. However, relative under-investment in general practice, changes to contracts, and a fall in the full-time equivalent GP population have collectively resulted in many practices limiting the services that they feel they can reasonably offer.<sup>15</sup>

As demographics (such as the age of the population), patterns of ill health, and treatments have changed, and with the Government encouraging new housebuilding within many areas, without any requirement on developers to consider health infrastructure, demand on GP practices has grown. Many practices have felt overwhelmed, and many are starting to insist that they are not funded for all the activity that is being asked of them.

**‘Relative under-investment in general practice, changes to contracts, and a fall in the full-time equivalent GP population have collectively resulted in many practices limiting the services that they feel they can reasonably offer’**

At the same time, many young doctors who are completing training in general practice face challenges in securing a permanent post. This has led to the development of additional tiers of community provision and loss of service for some patients who require long-term follow-up that does not need to be provided in hospitals (secondary care).

As primary care has become overstretched, more and more people are directed to, or resort to, accident and emergency departments (A&E), which are in turn often overwhelmed by this demand.<sup>16</sup>

## 7. Secondary care – hospitals

At a local level there may be variation in system design and provision. While all hospitals have a responsibility for providing healthcare to the population they serve, some will provide tertiary or super-specialist services. The current funding model in NHSS means that funding for such super-specialist services may be taken out of national funding altogether and managed through National Services Scotland (NSS), e.g. transplant surgery; or is based upon Service Level Agreements (SLAs). SLAs are usually based on historical activity levels and therefore in a rapidly changing healthcare environment it can be difficult to fund services where demand grows quickly. This can in turn inhibit innovation and development of new services.

As stated above, A&E often serves as a triage point for all hospital admissions because GP services are unable to provide continuity of care through out of hours service and do not have easy access to some investigations.

<sup>15</sup> Audit Scotland, ‘General practice: Progress since the 2018 General Medical Services Contract’ (March 2025). [Link](#)

<sup>16</sup> Healthcare Improvement Scotland, ‘NHS Greater Glasgow and Clyde Emergency Department Review’, (March 2025). [Link](#)





## 8. Integration of social care with health care

It has been recognised for some time that there is poor integration between health and social care across the UK. The Government/NHS is responsible for health care, whereas local councils are responsible for social care. Many initiatives by Government have been announced – such as a National Care Service in Scotland or Integrated Care Boards in England – but no effective solution to this issue has been implemented thus far.<sup>17</sup>

While this is clearly a huge challenge, we believe that some of the suggestions for change that we are making may help local authorities address these challenges more effectively. Although not new, we welcome the proposal by Scottish Government in their Operational Improvement Plan to use the Community Health Index (CHI) number across local government, which is currently responsible for social work and social care, as well as general practice and secondary care.<sup>18</sup> This would be an important step towards more meaningful integration of health and social care.

**‘ It has been recognised for some time  
that there is poor integration between  
health and social care across the UK ’**

## 9. Public health and prevention programmes

While prevention of ill health is a huge challenge and difficult to do justice to in this essay, there is a need to improve the general health of the population to reduce demand on a stretched healthcare system facing an ageing population burdened by increasing chronic diseases such as obesity, diabetes, certain cancers, cardiovascular disease and dementia.

Most of these diseases are overwhelmingly associated with diet, lifestyle and poverty, although minimal cost interventions have been shown to bring about quite dramatic health improvement overall.<sup>19</sup> This too is recognised by the Scottish Government.<sup>20</sup> Addressing these issues must be an intermediate and long-term goal that goes hand in hand with improving the economic outlook and education of the population of Scotland.

## What do other countries do differently?

Now that we have set out the main problems facing the NHS in Scotland – many of which inevitably overlap with the problems facing the service in the rest of the UK, due to their similar structures – it is time to ask how we can start to fix things. The most obvious place to start is with those countries that are getting better results.

Two European countries that have better outcomes than Scotland and the UK are Germany and Sweden, despite data from 2020 showing that these countries spend

17 On the challenges of integrating health and social care, see for example: S. Bottery & N. Blythe, ‘Social care providers and integrated care systems: opportunities and challenges’, The King’s Fund (31 October 2022). [Link](#)

18 Scottish Government, ‘NHS Scotland operational improvement plan’, Cabinet Secretary for Health and Social Care (March 2025). [Link](#)

19 R. Masters et al, ‘Return on investment of public health interventions: a systematic review’, *Journal of Epidemiology & Community Health* 71 (2017). [Link](#)

20 Scottish Government, ‘Scotland’s Population Health Framework’, Cabinet Secretary for Health and Social Care (June 2025). [Link](#)





a similar proportion of their GDP on healthcare.<sup>21</sup> Germany spent 12.8% of GDP on healthcare in 2020, whilst the UK and Sweden spent 12% and 11.5%, respectively.

We have chosen these countries for comparison partly as they spend a similar proportion of GDP on healthcare, but primarily because they achieve better outcomes across many areas and have different models of how healthcare is funded.

In his 2020 review of healthcare outcomes in similar countries for Civitas,<sup>22</sup> Tim Knox showed that Sweden ranked above the UK in 15 out of 16 areas assessed, whilst Germany ranked above the UK in 9 out of 13 areas. Since these countries spend a similar amount of GDP on healthcare, we should ask ourselves what it is that is being done differently that results in these higher standards in delivery of healthcare.

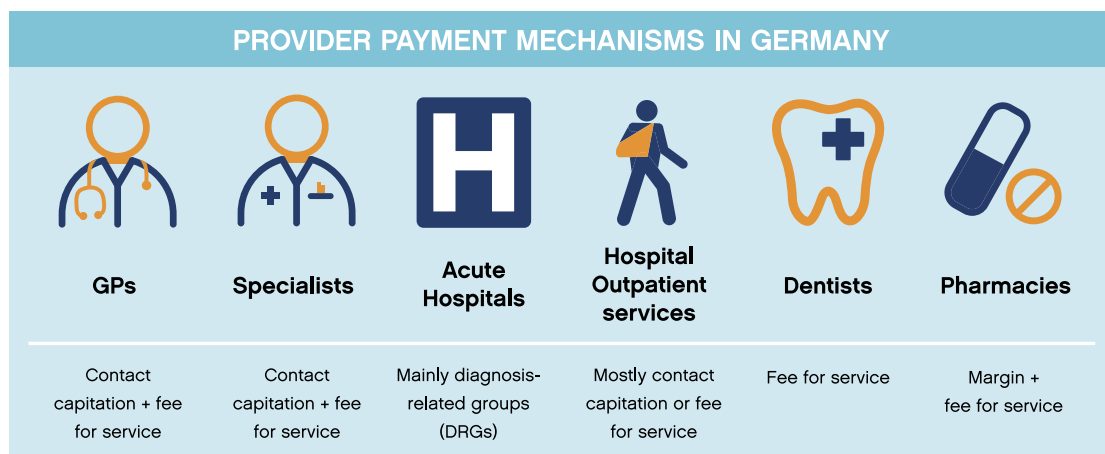
## Healthcare in Germany

Healthcare insurance is 'compulsory for citizens in Germany either under the Statutory Health Insurance (SHI) scheme, which makes special provision for low-income groups to ensure everyone is covered, or through substitutive Private Health Insurance (PHI)'.<sup>23</sup>

Governance of healthcare delivery is decentralised. The federal government has responsibility for setting the overall legal framework. State governments are responsible for hospital planning and public health, while most decision-making power is delegated to corporatist bodies, e.g. associations of providers and sickness funds.

Primary and ambulatory care (GPs or family doctors, and office-based specialists in the community) is separated from inpatient care delivered in hospitals. The former are provided entirely by private providers paid via an on-contact capitation fee and a fee-for-service basis. The fee to the patient for consulting a GP or office-based specialist is €10-15, which includes follow-up visits within three months, with insurance covering the rest of the cost.

Hospitals are remunerated directly by the insurer for their activity, mainly through fee-per-case payments which are fixed by a national tariff system called Diagnostic Related Groups (DRGs). The patient does not pay for healthcare in hospitals, but the hospital can also charge inpatients a €10 per day fee that the patient is responsible for paying.



21 Eurostat, 'Current healthcare expenditure, 2020, Healthcare expenditure statistics – overview' (November 2024). [Link](#)

22 Knox, 'International Health Care Outcomes Index 2022: Update'.

23 M. Blumel et al, 'Germany: health system review 2020', *Health Systems in Transition* 22 (June 2021). [Link](#)



The German healthcare system is not perfect and it too is facing problems. For example, it is relatively expensive because of a relative overprovision of beds and availability of doctors (although this would be a nice problem to have). The complexity of the system in Germany makes reform difficult, and the coexistence of SHI and PHI arguably weakens the principle of solidarity too. The strong separation of ambulatory (primary) and inpatient care in terms of organisation and payment can also present problems in organising continuity of care.

Yet these problems notwithstanding, overall the German healthcare system is one of the best in the world, ranking far above the UK in areas such as neonatal and maternal mortality, and colon and lung cancer treatment.

‘Freedom of choice with respect  
to both primary and secondary care  
providers has been mandatory since 2010’

## Healthcare in Sweden

To quote an expert review, ‘healthcare in Sweden is decentralised – responsibility lies with the regional councils and, in some cases, local councils or municipal governments’.<sup>24</sup> The role of central government is to establish principles and guidelines, to set the political agenda for health and medical care, and overall regulation. The national objective is that ‘people must be offered effective, good-quality health and medical care based on needs’, which must be ‘equitable, gender-equal, and accessible’.

The National Board for Health and Welfare compiles information and develops standards to ensure good health, social welfare, and high-quality health and social care for the whole population.

The bulk of health and medical costs in Sweden are paid through regional and municipal taxes. Contributions from the national government provide an additional source of funding, while patient fees cover only a small percentage of costs. The proportion of people with Voluntary Health Insurance has increased over the last decade; about 10% of the population aged 16-64 years now have access to private insurance, often financed by their employer.

VHI is well regulated and covers less than 1% of total health expenditure in Sweden. Emergency care, intensive care, highly specialised care, care for chronic diseases or long-term diagnoses are generally not included in VHI cover. The publicly financed health system covers public health and preventive services, primary care, inpatient and outpatient specialised care, emergency care, rehabilitation services, patient transport services, social services and long-term care.

Freedom of choice with respect to both primary and secondary care providers has been mandatory since 2010, and patients may have direct access to specialist care depending on which region they are in.

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24 N. Janov et al, ‘Sweden: health system review’, *Health Systems in Transition* 25 (September 2023). [Link](#)



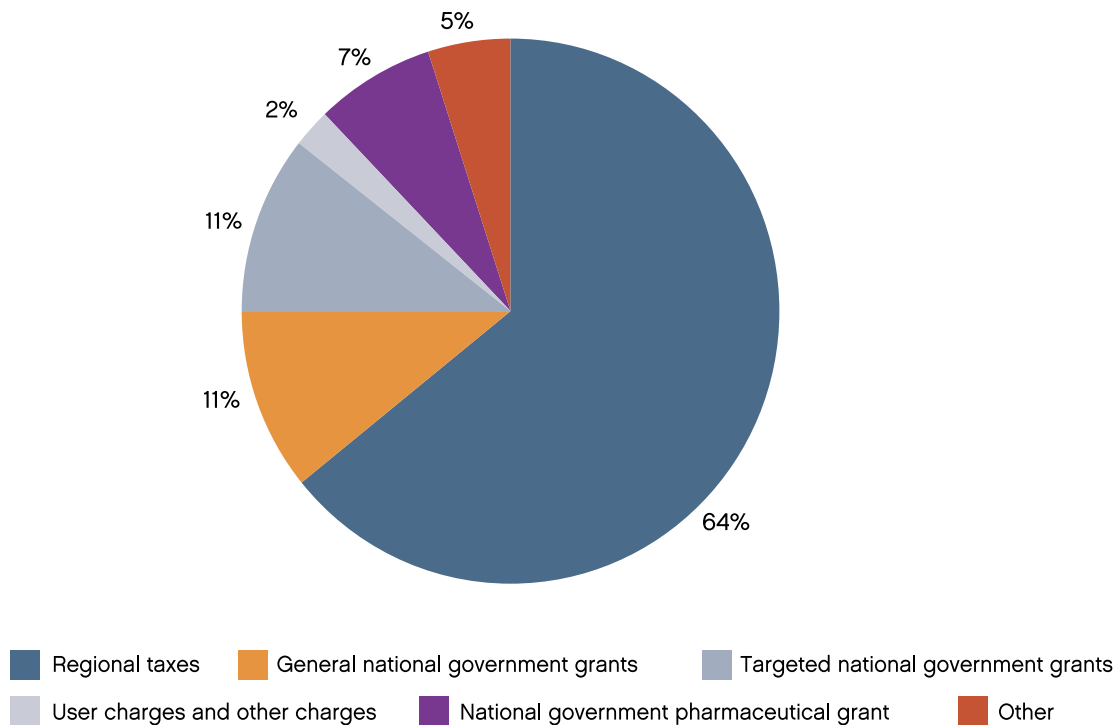
There are both public and private providers of healthcare, and the same regulations apply to both. If a regional council buys service from a private provider, the healthcare is funded by the council but delivered by the private healthcare provider.

Healthcare is financed largely through the public system (86%), through a mixture of regional taxation and national government grants, while 2% comes from user charges as shown below. For physical visits and treatments within outpatient care, patients pay flat-rate fees up to a maximum ceiling of SEK 1300 (£96) per 12-month period, with variation across the country as the fees paid are determined on a regional basis. A visit to primary care (the GP equivalent) costs the patient between SEK 100 and SEK 300 (£7.50-£22) per visit, but those younger than 20 and older than 85 are exempt from these user charges. User charges are also applied for inpatient care in hospitals and are set at SEK 120 (£9) per day.

‘ A visit to primary care (the GP equivalent) costs the patient between £7.50 and £22 per visit, but those younger than 20 and older than 85 are exempt from these user charges ’

The DRG-based payment system is used to some extent, but global budgeting is common for councils paying hospitals for specialised inpatient care, which the patient does not contribute to.

#### Sources of total regional revenue, 2020



Source: SALAR, 2022b



## User charges for health services

HEALTH SERVICE	TYPE OF USER CHARGE IN PLACE	EXEMPTIONS AND/OR REDUCED RATES	CAP ON SPENDING
Primary care	Co-payment determined by each region, between SEK 100 (€ 9) and SEK 300 (€ 28)	>85 years old exempt by law, <20 years old exempt in most regions	Maximum OOP payment of SEK 1 300 (€117) for all health care visits within a 12-month period
Outpatient specialist visit	Co-payment determined by each region, between SEK 200 (€ 19) and SEK 400 (€ 37)	>85 years old exempt by law, <20 years old exempt in most regions	-
Outpatient prescription drugs	Patient pays full cost up to SEK 1 300 (€117), then decreasing co-payment levels, uniform throughout country	<18 years old exempt by law, <21 years old exempt for contraceptive	Maximum co-payment is SEK 2 600 (€ 234) for 12-month period
Inpatient stay	Co-payment determined by each region, approximately SEK 120 (€ 11) per day	<18 years old exempt in all regions, <20 years old exempt in most regions	Reductions: Vary across regions. Fees reduced depending on income, disability, age or length of stay in 14 regions
Dental care	Patient pays up to SEK 3 000 (€ 279) then partial subsidy	<24 years old exempt by law	Decreasing co-payment levels as subsidy increases, but no cap
Technical aids/ medical devices	No national regulation - instead regional variation	-	-

Notes: OOP: out-of-pocket; SEK: Swedish kronor

Source: Authors' own compilation

Overall, this approach has delivered a system which puts Sweden in the top five countries across 14 of 16 different measures, whereas the UK healthcare system only ranks in the top five for one category (diabetic amputations) and is near the bottom of the league table in most.

## Similarities between the Swedish and German systems

While the funding systems in Sweden and Germany differ, with one relying on local taxation and the other statutory and/or private health insurance, we believe that several important similarities exist:

1. Outcomes are superior across most areas of healthcare when compared to Scotland and the rest of the UK.
2. Responsibility for funding and delivery of healthcare is decentralised, i.e. not managed by central or federal government, and patients can exercise choice about where they receive healthcare.
3. Providers are paid a fee for service by the funder (through local taxation or health insurance) and there is allowance for a mix of public and private provision.
4. There is better retention of senior staff beyond the age of 60.



## What needs to change to improve the NHS in Scotland?

Taking the lessons from other countries into account, we believe that there are important and fundamental changes to the funding and delivery of healthcare in Scotland that are necessary over and above those set out in the recently published NHSS Operational Improvement Plan.

### Recommendations

1. **The Scottish Government needs to publicly accept that NHSS is currently unable to deal with many of the challenges it faces and that an honest debate with the public about urgent reorganisation and reform of finances, structure and culture is necessary.** To protect the Health Service from the short-termism of the political cycle, the Scottish Government should convene a commission of senior, independent experts and business leaders, without political affiliation, that can consider the modernisation of healthcare provision in Scotland. There have been comparable calls for a Royal Commission into the NHS in England, with much the same rationale of putting healthcare reform above the political fray.<sup>25</sup>

We believe such a commission must include within its scope:

- a. A focus on patient experience and outcomes determined by patient groups and experienced clinicians, using existing information resources and developing new ones where necessary. These should provide the key measures against which healthcare interventions are assessed. When things do not go well, there needs to be ownership of the problem, and a team-based open approach to learning from such episodes. Individual managers and clinicians must be held accountable where it is shown they have performed poorly.
- b. Transparency in the flow of funding, which should follow the patient more directly so that they are enabled to exercise choice about where they receive care, and that healthcare staff have a greater focus on the costs of healthcare. This would help improve productivity and reduce waste, whilst giving staff a greater sense that their employer is really their patient.
- c. Decentralisation of funding and control of healthcare to local bodies that could in time assume responsibility for both health and social care.
- d. A payment system similar to those in Sweden and Germany where payments to providers (public or private) are based on a fee for service using tariffs or Diagnostic Related Groups (DRGs), thus enshrining the principle of transparency in how healthcare is funded based on activity and outcomes.
- e. Use of IT and AI to reduce the administrative burden on clinical staff and help with assessment of the health and needs of an individual.
- f. The teams responsible for delivery of care need to be restructured, with the re-establishment of a medical hierarchical system based on experience and ability.

25 M. Saatchi & D. Nutt, 'A Royal Commission on the NHS: The Remit', CPS (January 2018). [Link](#)



These teams should nurture, develop and support younger colleagues as they develop their careers.

- g. Managers of healthcare provision need to be well-trained, include more experienced clinicians, and be focused entirely on the delivery of excellent patient outcomes using a 'single system management' approach.
- h. The number of bodies (quangos) that do not have any direct responsibility for delivery of healthcare needs to be reviewed and reduced where there is no evidence of direct benefit to patient outcomes.
- i. Hospital management should be able to adjust rates of pay to recruit and retain the people with the skillsets to deliver the best outcomes for the population they serve.

### Recommendations

3.	<b>Recruitment into healthcare and measures to ensure retention of staff up to the state retirement age needs to be addressed by dedicated working parties whose recommendations will be accepted and enacted by the Scottish Government.</b> At present there are too many incentives for senior clinicians to retire early, and not enough for them to stay on until (or even beyond) the state retirement age.
4.	<b>Establish a capital fund dedicated to ensuring the estate and infrastructure of the Scottish Health Service underpins the objectives set out in the Constitution.</b> At present, capital spending is too readily cannibalised to meet short-term operation needs, which stores up longer-term problems. The relative under-capitalisation of the NHS in Scotland (and the rest of the UK) is part of the reason why healthcare is less productive than in European countries which spend a comparable share of their GDP on healthcare.
5.	<b>The Scottish Government should undertake to introduce a new constitution for the NHS in Scotland so that patients know what they can expect from the service.</b> Despite the over-centralisation of healthcare in Scotland, there is little accountability to patients at present, many of whom have become resigned to poor services. Patients deserve and should demand better.



In addition to the above recommendations, we also believe that the Scottish Government should take various steps to improve management and leadership within NHSS:

### Recommendations

6.	<b>Ensure there is formal training of managers and processes for dismissing/disbarring managers who perform poorly.</b>
7.	<b>Ensure clinical leadership, from a range of professional backgrounds, by those who have demonstrated ability to develop and lead clinical services.</b> The emphasis needs to be on a single system management approach with these managers from a clinical background having responsibility for the whole service including clinical governance and budget control.
8.	<b>Consideration should be given to allowing greater autonomy at local level to enhance pay levels in areas where housing is expensive or transport links poor.</b> This should help recruit and retain those most qualified to deliver improved results.

While additional funding may need to be found to clear backlogs, it must be hoped that improvement in efficiency, productivity and outcomes will motivate all the staff involved in delivery of care to reduce these backlogs. Staff should also be incentivised to deliver efficient high-quality service rather than knowing that poor performance will lead to more lucrative waiting list or agency work (often done at weekends at enhanced rates of pay).

A&E needs to be protected to provide only for accidents and emergencies by expanding service provision through general practice in the community. GPs should be able to request imaging tests and specialists (including advanced nurse practitioners) should run outreach clinics in community settings that can be booked into directly by patients. These community specialist clinics could initially be provided for common conditions such as mental health, respiratory and cardiovascular disease, elderly medicine, diabetes, dermatology and urology. These community-based specialists could be supported by GPs with a special interest.

## What would this vision look like in practice?

### 1. Health care outcomes and waiting times

We believe that these changes will allow and encourage local variation in system design and provision, as hospital management teams will have autonomy that allows them to respond quickly to new developments and changes in demographics.

Transparency in how funds are spent, based on a fee-for-service/tariff model, will incentivise management to focus on efficiency, productivity and better outcomes rather than 'balancing the books' and managing the upward flow of financial information. More senior medical/clinical staff being trained and involved in management later in their careers, together with better training for all managers, will aid this.





## 2. Politics and policy

As we recommend above, the Scottish Government should look to establish a new constitution for NHSS and delegate responsibility for payment and delivery of healthcare and social care to more local bodies. The Scottish Government would also have the crucial responsibility to ensure that good information about outcomes – such as patient reported outcomes (PROMS) – and standards of delivery are collected and published by a National Health & Social Care oversight body, perhaps Public Health Scotland, modelled on the National Board for Health and Welfare in Sweden.

**‘Allowing local managers greater autonomy in managing finances, and allowing variation in salaries, will facilitate recruitment and retention in areas where there are higher housing or transport costs’**

## 3. Finances and funding

Basing payment to providers on a fee-for-service model using set capitation fees, with a system of DRG tariffs to provide secondary care facilities, without any charge to the eligible patient, will help provide much greater transparency in how money is being used. Decentralising responsibility for delivery of healthcare is likely to lead to a reduction in the number of supra-regional bodies, as has been recommended by both Richard Simpson and Alex Neil, which will lead to a greater proportion of the healthcare funding being spent on direct delivery of healthcare.

Allowing local managers greater autonomy in managing finances, and allowing variation in salaries, will facilitate recruitment and retention in areas where there are higher housing or transport costs.

## 4. Structure and culture

We believe that the changes we are proposing in responsibility and payment for healthcare will lead to significant, beneficial changes in the structure and in turn the culture within organisations that provide healthcare.

Management will be better trained, include more senior medical, nursing and allied healthcare professionals who have had successful clinical careers with the result that leadership of staff at a local level will be improved. This is almost certain to have beneficial effects on recruitment, retention, and levels of sickness and productivity within these providers.

## 5. Recruitment, training and retention

A workforce that is well-motivated and happy in its work is likely to lead to better recruitment, improve the experience of training and, in turn, retention of senior staff who should be encouraged to move into leadership roles in management in the latter stages of their career. We believe that this is an area that requires to be addressed as a matter of urgency, as educating enough young doctors/nurses/AHPs and ensuring that they have good and fulfilling career opportunities will lead to less reliance on locum or bank staff, lower rates of sickness, and ensure better utilisation of healthcare funding towards improved patient outcomes and experience.



We believe that a working party, including all the many professional bodies with an interest, should be established to review the totality of medical training from school to consultant status. This should aim to rationalise the demands on students and trainees, to allow more time for personal development, flexibility of timescales, and learning more closely matched to what will be required for clinical practice.

The emphasis should shift from constant, pervasive assessment and evaluation to longitudinal support and mentoring over time. This working party should also examine whether the European Working Time Directive (EWTD) should be strictly applied in all medical specialties and how trainees could be allowed to waive their participation in the EWTD when appropriate.

**‘ We believe that a working party, including all the many professional bodies with an interest, should be established to review the totality of medical training from school to consultant status ’**

Similar working parties should review the totality of nursing and AHP training and examine what is required to ensure recruitment and retention in these vital roles.

NHSS should re-establish a hierarchical structure within hospital departments that is based on expertise in the field, as opposed to the current model where a Clinical Director/Associate Medical Director/Medical Director is often seen primarily as a manager rather than being a clinician who is experienced and respected by their peers. Such a hierarchical system would also help re-establish a sense of belonging to a team with the inbuilt support and training mechanisms that are associated with feeling part of a team. It should be noted that a modern team would include a range of healthcare professionals.

## **6. Primary care – GPs**

We believe that greater continuity of care (where a patient sees the same GP at each visit) would deliver higher quality of care more efficiently, particularly in older patients, those with multiple chronic conditions and with mental health problems, and that this would result in fewer unnecessary attendances at, and admissions via, A&E departments.<sup>26</sup>

GPs must be able to request a wider range of tests/scans without onwards referral as this would also alleviate pressure on emergency departments and secondary care and promote management of patients in the community, which we believe most GPs would value and enjoy.

There needs to be a dialogue with the public about the acceptability of user charges for some services up to an annual ceiling, as in Sweden and Germany, and the removal of free prescriptions for certain categories of medication, e.g. over-the-counter pain relief medicines, given the increasing annual cost associated with prescriptions for these medications. Pharmacists could offer advice, where required, to those requesting these medications over the counter. The consequent reduction in medication management time would free up GPs' time, which in turn would allow them to focus on greater continuity of care.

<sup>26</sup> H. Kajaria-Montag et al, 'Continuity of Care Increases Physician Productivity in Primary Care', *Management Science* 70 (January 2024). [Link](#)



Allowing patients direct access to specialist care in the community – either through GPs with special interest or through senior specialists in the latter years of their careers who are based in a community setting – would also reduce pressure on GP appointments and referrals to secondary care. These facilities could be developed in the specialties where there is the highest volume of referral from GPs to specialist services mentioned above and include others where the patient has a clear idea of the problem, e.g. blood in the stool/urine.

## 7. Secondary care – hospitals

The changes to structure and finance that we have proposed would have a significant impact on how hospitals are managed. Well-trained managers, whether they come from a clinical or non-clinical background, who have autonomy over local decision-making, with greater involvement of experienced clinical staff in a management team that is focused on patient outcomes and productivity, would have a significant positive impact.

Re-establishing a hierarchical system within medical teams would help improve standards of care and ensure that experienced clinical staff stay in the system for longer. This would contribute to better recruitment into healthcare and improve retention of senior staff.

**‘ Re-establishing a hierarchical system within medical teams would help improve standards of care and ensure that experienced clinical staff stay in the system for longer ’**

The team, including managers, need to be focused on patient outcomes (patient-reported and measurable parameters that relate to quality of care, e.g. hospital stay or readmission rates) and every incentive for staff should be assessed against its impact on improved outcomes. Waiting list initiative work and locum staff paid at premium rates should be the exception not the norm, and those who are offered such additional work at premium rates should first demonstrate that they have delivered against their substantive job plan, rather than poor performance during normal working hours being rewarded with work at premium rates on evenings and weekends.

As the Academy of Medical Royal Colleges have stated, retention of experienced staff should be prioritised, and their experience utilised to best effect whether through leadership roles, involvement in management, increased high-volume low complexity work or clinics in a community setting.<sup>27</sup> It is likely that, in order to keep these older individuals in the workforce, they should not be expected to contribute to emergency on-call work beyond an agreed age.

## 8. Integration of social care with health care

While the authors do not have an in-depth knowledge of how best to integrate health and social care, it is clear that ‘bed-blocking’ is a significant factor that impacts the productivity of acute hospitals. We believe that this can only be addressed by closer working of the teams responsible for delivery of both health and social care and use of capability-based planning within these teams, which may be facilitated by a change in how the two elements receive their funding.

<sup>27</sup> AOMRC, ‘Retention and flexibility principles for senior doctors (GPs, Consultants and SAS)’ (August 2024). [Link](#)



Key elements in a more joined up system would include:

- Greater use of AI and remote technologies to assess health/wellbeing
- A local focus on preventative health measures relevant to the local population – e.g. proactively calling patients in for assessment in primary care, as highlighted in a recent BBC Panorama episode<sup>28</sup>
- Enabling and empowering those with long-term conditions to self-manage more
- A single point of management of the patient journey in health and social care facilitated by use of the CHI number
- Improved use of step-down facilities to release acute beds
- More realistic funding of public care home places
- Greater use of a ‘hospital at home’ model, with acute care provided for some patients in their own homes
- More effective monitoring of the frail elderly living independently but at the point of no longer coping

‘ While the authors do not have an in-depth knowledge of how best to integrate health and social care, it is clear that ‘bed-blocking’ is a significant factor that impacts the productivity of acute hospitals ’

## 9. Public health and prevention programmes

A wealthier country, with good employment prospects, better education and health will be much better placed to address issues that prevent long-term ill-health. Wider factors influencing health – sometimes called the ‘social determinants of ill-health’ – include things like:<sup>29</sup>

- Housing and workplace conditions
- Air quality, access to green spaces and other environmental factors
- Poor diets consequent on low incomes, long working hours, or simply poor information
- Stress, anxiety and loneliness stemming from work or social pressures

A detailed discussion of these extremely important issues is beyond the expertise of the authors of this essay and they deserve full consideration in their own right. But we are hopeful that the wider proposals on economic growth and education in this essay collection, alongside our own proposals, will help ensure that the people of Scotland become not only wealthier but healthier.

28 BBC Panorama, ‘Fixing the NHS: What Will It Take?’, *BBC One* (29 March 2025). [Link](#)

29 DHSC, ‘10 Year Health Plan for England: fit for the future’ (July 2025). [Link](#)



## Conclusion

We firmly believe that the recommendations outlined in this essay will substantially improve the performance of NHSS, which is now a matter of urgency. All of these changes could be implemented within the term of the next Scottish Parliament if the political will is there to do so. The proposed reforms will also enable more evolutionary change within the health service, something not possible within the current centralised and top-down structure.

Furthermore, as well as looking at how these immediate changes to the NHSS are implemented, a great advantage of the Scottish Government setting up the Independent Commission which we recommend is that it can look at further reform. Our health system needs to strive for constant improvement and the further lessons we can learn from other healthcare models such as those in Sweden and Germany. Such reform may well be more long-term and radical, but it is important that new ideas are given due consideration if we are to make NHSS the best healthcare system in the world, which must be our aim.

**‘ Our health system needs to strive for constant improvement and the further lessons we can learn from other healthcare models such as those in Sweden and Germany ’**

### About the authors

#### **Professor Alan McNeill FRCS(Urol), FRCP(Ed), FFSTEd**

*Professor McNeill was, until recently, an NHS Consultant at NHS Lothian University Hospitals in Edinburgh, where he worked for 24 years. He now works with NHS Fife and holds honorary Professor posts at both the University of Edinburgh and Heriot Watt University.*

*He is currently the Chair of the Board of Trustees for the BJUI, which oversees BJUI, BJUI Compass and BJUI Knowledge. He is a Founding Trustee of Prostate Scotland, a charity he helped establish in 2006, and has held many positions over the years, which include Training Programme Director East of Scotland, Lead Clinician for Urology NHSL, Chair of the Urology Group for the Southeast of Scotland Cancer Network (SCAN), Secretary and then Chairman of the BAUS Section of Oncology, Chair of the Urology Surgical Specialty Board RCSEd.*

#### **Dr Gavin Boyd**

*Gavin Boyd is a retired Edinburgh General Practitioner who worked for 29 years in a suburban area of significant deprivation. During this time, he established the computerisation of medical records and oversaw the evolution of shared antenatal care and paediatric health surveillance from the practice. He set up and ran a practice diabetes clinic for 20 years, served as Lead Physician for the Murray Home for retired servicemen and led the set-up of and continuing medical care for the Edinburgh Erskine Nursing Home.*

*While working as a GP, he was attached to the City Hospital for three years as Clinical Assistant in infectious diseases and later to WGH for 17 years as Clinical Assistant/Specialty Doctor in diabetes medicine. He served for several years on the Lothian Local Medical Committee and the Lothian GP sub-committee, during which*



time he was involved in the transfer planning of the Royal Infirmary of Edinburgh to its new site at Little France. He also served on the Board of Directors of the local Out of Hours Cooperative prior to the establishment of NHS24.

### **Professor Allan Cumming**

*Professor Cumming is an Edinburgh medical graduate who trained in general medicine and renal medicine in Edinburgh and in Canada. In 1989 he was appointed Clinical Senior Lecturer with the University of Edinburgh, working as a Consultant Nephrologist in the renal unit, Royal Infirmary of Edinburgh. His research interests included the pathophysiology of acute kidney injury and the role of regulatory peptides in the kidney. In 1998 he was appointed Teaching Dean for the Edinburgh Medical School, and introduced a new undergraduate medical curriculum, completed in 2003. Subsequently he was Director of Teaching for the College of Medicine and Veterinary Medicine (CMVM). In 2012 he became Dean of Students for CMVM, responsible for student support and mentoring. He retired in 2016.*

*He received the University's Chancellor's Award from HRH Prince Philip for achievements in medical education in 2004 and was awarded a Personal Chair of Medical Education in 2005. He was a lead author of the GMC Guidance to UK medical schools, 'Tomorrow's Doctors 2009'. He led the Tuning (medicine) Project, which defined learning outcomes for medical degree courses in Europe and was Chair of the EC-funded Academic Network for medical education in Europe 'MEDINE2', 2009-2013.*

### **Dr Andrew Dunlop**

*Andrew Dunlop has been a GP principal in Lothian for 39 years working in both a suburban and semirural practice. His interests include paediatrics, dermatology and urology. He has been a Hospital Practitioner in dermatology for 20 yrs, previously working in the Lauriston Building, Edinburgh. He has organised courses for GPs in paediatrics and has provided both undergraduate and postgraduate training and mentoring to GPs.*

*He was actively involved in the design and delivery of the GP Out of Hours service and was the co-director of the NW Edinburgh OOH service and the central organisation until the creation of NHS24 in 2004. He has served on the boards of several Scottish and UK charities and at present is the GP advisor on the prostate advisory group to the Prostate Scotland charity.*

### **Dr Anna Gregor CBE, FRCR, FRCP.**

*Anna Gregor has retired from a career in the National Health Service where she was a senior, experienced and respected cancer doctor who led a number of successful initiatives designed to improve quality of patient care. She had a pivotal role in the development of SCAN – a managed clinical network for cancer services in southern Scotland. As the Lead Cancer Clinician for Scotland, she shaped the development and implementation of national cancer plan.*

*She continues to be interested in the design and implementation of novel models of healthcare and the application of fundamental principles such as patient involvement, regional multidisciplinary collaboration, information sharing, transparency and accountability to promote strategic transformational change within healthcare. She developed and implemented successful organisational processes that translated fundamental aims of health policy into clinical practice and lead to sustainable benefits. Working strategically with variety of partners, the first £60m supporting the Scottish cancer plan has brought in over £390m of investment.*





### **Dr Belinda Hacking**

*Belinda Hacking is an experienced leader in NHS senior management and an innovator, delivering large-scale transformational change. She has worked as a Consultant Clinical Psychologist since 2002. In 2019 she was appointed as the Director of Psychology for Lothian NHS, a post that she held to January 2025. As the Professional Lead for Clinical Psychology with the British Psychology Society in Scotland, she worked closely with the Scottish Government and advocated for changes to the mental health laws relating to detention, in keeping with patient feedback.*

*She was voted in as the Chair of the Directors of Psychology across Scotland from 2018-2023. This involved working closely with the other NHS Boards and the Scottish Government to implement a range of nationally agreed frameworks to improve quality and access to psychological treatment. In 2002, she established EC4H (Effective Communication for Healthcare) to provide a national training network for quality communication training, directing this programme alongside her NHS work. She was commissioned by Health Improvement Scotland (HIS) as the Director of EC4H to support the redesign of risk management processes and family engagement in maternity services to improve learning from serious adverse events.*

### **Professor Colin Robertson**

*Professor Robertson is Honorary Professor in Accident and Emergency Medicine and Surgery at the University of Edinburgh. Over the past 30 years has had direct experience of pre-hospital and emergency care in Singapore, Hong Kong, Malaysia, Indonesia, India, Norway, Germany and Austria.*

### **Charles Winstanley**

*A former soldier and management consultant, Charles Winstanley ran his own London-based strategy consultancy for nearly 20 years. During his doctoral research he was a member of visiting faculty at Henley Business School.*

*NHS treatment after a motorcycle accident triggered a 25-year involvement in health governance. After service on the board of the Norfolk & Norwich University NHS Trust and chairmanship of the GMC Fitness to Practice Panel, he was appointed Chairman of NHS Lothian. During his second term he was also elected Chair of Scotland's NHS Chairs, working closely with senior politicians and civil servants in the Scottish Government. He then served two terms as Board Chair at the UK Academy of Medical Royal Colleges until 2022. During this time, he also chaired the Contact Group, the UK coordinating body for military mental health services. He has also served on the boards of the Scottish Government, Ministry of Defence and UK Supreme Court. He currently chairs the Advisory Military Sub Committee in the Cabinet Office.*





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