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Collette Stevenson MSP
Convener
Social Justice and Social Security Committee
The Scottish Parliament
Edinburgh
EH99 1SP

19 December 2023

Dear Convener,

Today the Scottish Fiscal Commission has published [Scotland's Economic and Fiscal Forecasts – December 2023](#), giving our latest forecasts for the economy, tax revenues and social security to inform the Scottish Budget.

In our report we show that the Scottish Government's budget next year is set to increase by £1.3 billion from the latest figure for 2023-24. This is a rise of 2.6 per cent in cash terms or 0.9 percent after accounting for inflation. Most of this increase in funding comes from income tax. A combination of the Scottish Government's policy choices, high inflation, fixed tax thresholds in cash terms (i.e. fiscal drag) and relatively strong earnings growth in Scotland have all contributed to a sharp increase in income tax funding.

However, the ongoing consequences of Scottish Government changes to social security and the linking of payment rates to inflation have increased spending commitments. Other Scottish Government policies such as the Council Tax freeze and increasing public sector pay have further added to the Scottish Government's spending commitments. Capital spending is set to fall by 4 per cent in real terms between 2023-24 and 2024-25.

We forecast spending on social security will increase from £6.3 billion in 2024-25 to £8.0 billion in 2028-29. One factor driving this increase is higher spending on disability benefits. This arises in part because of a UK-wide increase in the number of people receiving disability payments and in part because of the policy and operational changes to disability payments introduced by the Scottish Government. Inflation is another key factor driving the increase in spending over time. Most of the payment rates are increased by inflation each year, and in our forecasts those payment rates are updated to reflect our latest inflation forecast.

I look forward to giving evidence on our forecasts on 11 January 2024 and I am happy to discuss any aspect of our forecasts.

Yours sincerely,

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

Professor Graeme Roy