



Patricia Ferguson MP
Chair of the Scottish Affairs Committee
House of Commons
London
SW1A 0AA

8 April 2025

Dear Chair,

The Scottish Fiscal Commission has this morning published our second [Fiscal Sustainability Report](#), which focuses on health. We project devolved spending and funding up to 2074-75 based on the latest population projections for Scotland and the rest of the UK and the tax and spending plans from the UK Autumn Budget in October 2024 and the Scottish Budget in December 2024. These spending and funding projections allow us to assess the long-term fiscal sustainability of the Scottish Government's finances. As a devolved administration operating within the fiscal framework agreed with the UK Government, alongside trends and policy decisions in Scotland, the UK public finances have a direct effect on the Scottish Budget.

Our assessment suggests that future Scottish Governments will face significant challenges funding devolved public services because of an ageing population and rising health pressures.

Health is the largest area of spending in the Scottish Budget, and it is projected to grow faster than any other area. This is because of an ageing population, growing demands as society becomes wealthier, less scope for saving on labour in the health sector than in the wider economy, and a rise in the prevalence of long-term health conditions.

We use the latest population projections published by the ONS in January 2025. Our 2023 Fiscal Sustainability Report projected that the Scottish population would fall over the next fifty years. Since then, migration has been higher than expected, and is projected to continue at a higher level in the future. As a result, the Scottish population is now projected to continue to grow over the next twenty-five years, stabilising from 2050 onwards at around 5.8 million.

The fastest demographic growth in Scotland will be in the older age groups, with the population aged 85 and over projected to almost double over the next twenty-five years. Since spending on health, social care and social security increases with age this will result in higher spending.



There is more ageing in Scotland in the next twenty-five years than in the rest of the UK. As a result, in our baseline scenario we project Scottish Government spending across all areas will exceed funding by an average of 1.5 per cent each year between 2030-31 and 2049-50. As the age structures of the Scottish and UK populations become more similar around 2050, the fiscal pressure eases and the average annual budget gap is projected to be minus 0.9 per cent between 2050-51 and 2074-75.

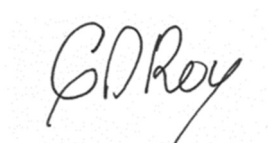
Our report presents better and worse health scenarios to show how changes to population health in Scotland could affect fiscal sustainability. Under a scenario of worse population health, we project the annual budget gap to reach minus 4.0 per cent by the end of the projection. In contrast the annual budget gap is improved by better population health, so much so that it turns to a positive 6.2 per cent by 2074-75. Scottish GDP and tax revenue is also higher in the better health scenario and lower in the worse health scenario.

Our analysis highlights the demographic and health challenges facing the Scottish Budget. Improvements in public health in Scotland which lead to lower requirements for health related spending as people age have the potential to help address the Scottish-specific fiscal sustainability challenges from demographic change.

Rising health costs and an ageing population are not unique to Scotland however, and also affect the UK public finances. The Office for Budget Responsibility has shown that the long-term path for the UK public finances is not sustainable. The Scottish Government's spending would be far greater than their funding if the UK Government were to take action to reduce its debt. The projected difference over the period 2030-31 to 2074-75 would increase from an annual average of minus 1.2 per cent to minus 11.1 per cent.

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

Yours sincerely

A handwritten signature in black ink that reads "GDRoy".

Professor Graeme Roy