
Fiscal Sustainability Report Visual Summary Pages

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Foreword

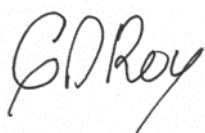
The Scottish Fiscal Commission is the independent fiscal institution for Scotland. Our statutory duty is to provide independent and official forecasts of Scottish GDP, devolved tax revenues and devolved social security spending to inform the Scottish Budget.

This report is our second assessment of the Scottish Government's fiscal sustainability. We have produced updated projections of devolved spending and funding up to 2074-75 and set out how these affect the sustainability of current Scottish Government spending over the long term. We show how demographic changes will affect the Scottish Government's fiscal sustainability and highlight key risks to Scottish Government funding. We have refined our approach to modelling health spending and we discuss the links between health and the public finances. We do not cover all potential areas that will affect the Scottish Government's fiscal sustainability in this report. We welcome feedback on the approaches used in this report, and suggestions for future topics.

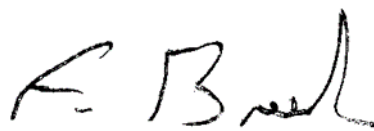
The analysis and conclusions in this report represent the collective view of the independent Commissioners. We take full responsibility for the judgements that underpin the analysis, and for the conclusions we have reached. We have been supported in this by the staff of the Scottish Fiscal Commission, to whom we are as usual enormously grateful.

We have benefited from discussions with experts from a wide range of organisations who have taken the time to speak to us about this report and our work on health and social care. We are particularly grateful to Public Health Scotland for the provision of data on health and social care spending which has allowed us to refine our analysis using Scottish data as well as for their wider insights and support with this work.

In particular, we would like to thank the Office for Budget Responsibility, the Northern Ireland Fiscal Council, officials in the Scottish Government, HM Treasury, Audit Scotland, the Health Foundation, the Institute for Fiscal Studies, the Fraser of Allander Institute, the Scottish Parliament Information Centre, Professor Neil Craig at Glasgow Caledonian University, Professor Gerry McCartney at the University of Glasgow, Dr David Henderson at the University of Edinburgh, Professor David Bell at the University of Stirling, Professor Paul McNamee at the University of Aberdeen and Professor Katherine Smith at the University of Strathclyde. We are very grateful for their insights. We would also like to emphasise that, while we are grateful for the valuable assistance received, all judgements and interpretation underpinning the analysis and conclusions in this report are ours alone.



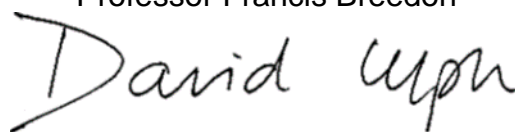
Professor Graeme Roy



Professor Francis Breedon



Professor Domenico Lombardi

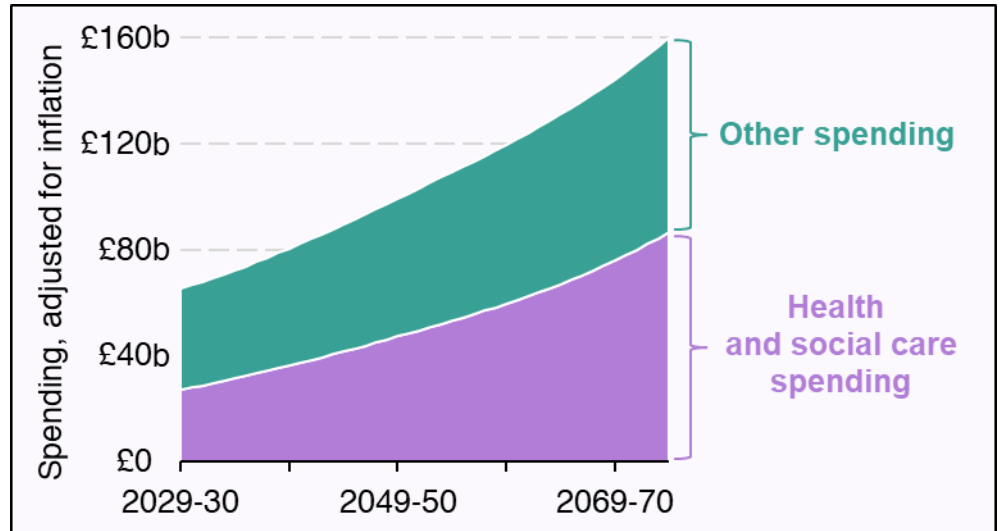


Professor David Ulph

Health and social care spending will grow as a share of the budget

Based on current trends, health and social care spending is projected to rise from around 40 per cent of Scottish devolved public spending in 2029-30 to almost 55 per cent in 2074-75.

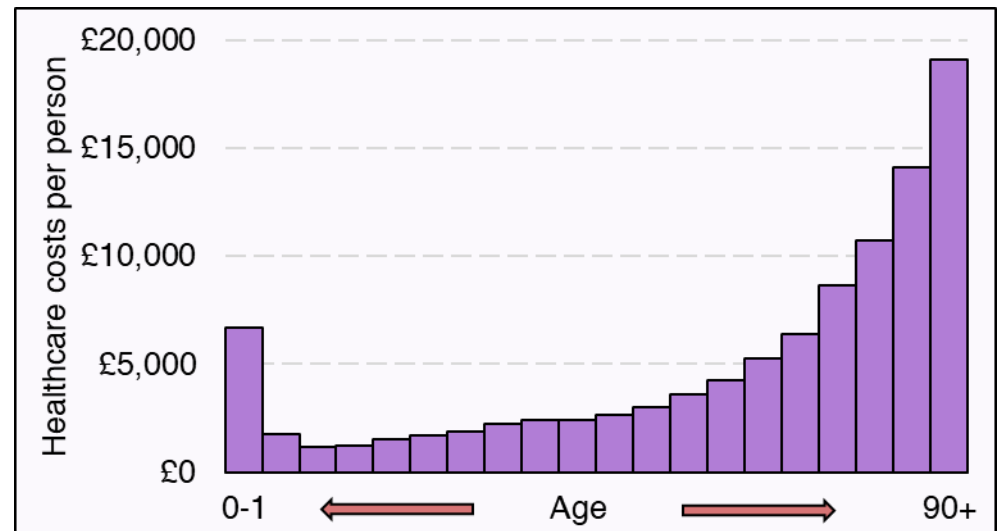
This will lead to budget pressures in future, as total spending will grow faster than funding.



Health spending is higher for older age groups

Health spending tends to rise with age, meaning an ageing population could lead to more health spending in the future.

These costs could be reduced were the population to age more healthily and healthy life expectancy to improve.

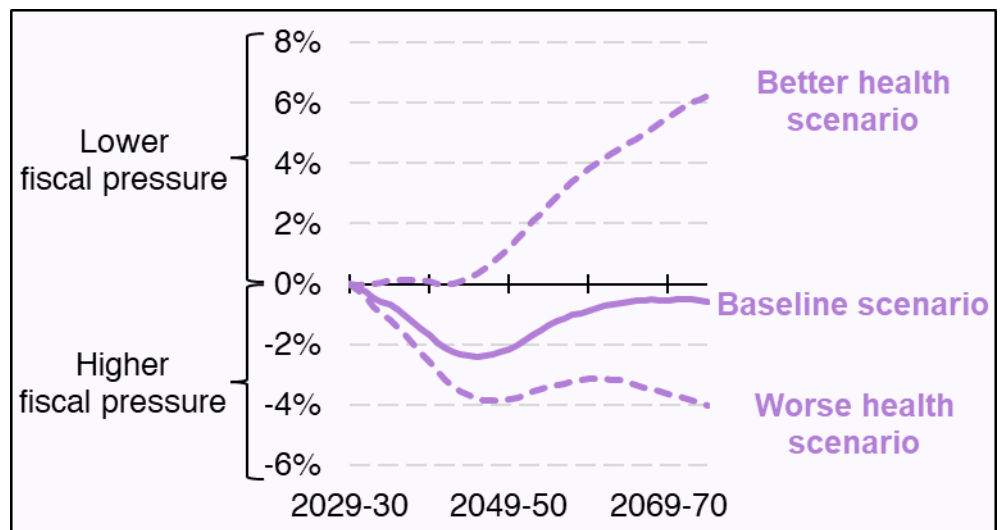


Improvements to population health could ease fiscal pressures

In our baseline scenario we project an average gap between Scottish devolved public spending and funding of 1.2 per cent.

If population health improved relative to the rest of the UK, fiscal pressure could be eased.

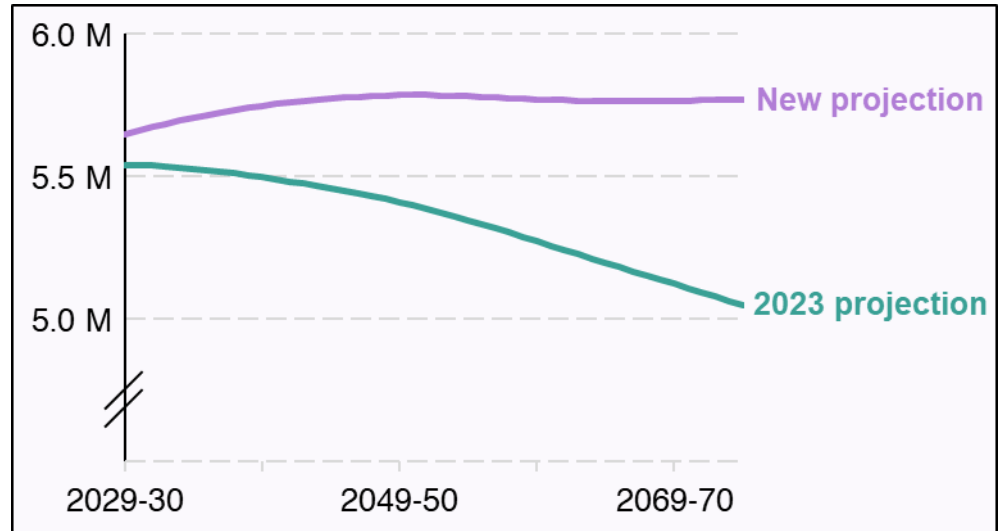
In contrast, it would rise with worsening health.



Scotland's population is projected to grow and then plateau

Positive net migration to Scotland in recent years drives Scotland's population growing rather than falling in the medium term. From mid-century, the Scottish population plateaus.

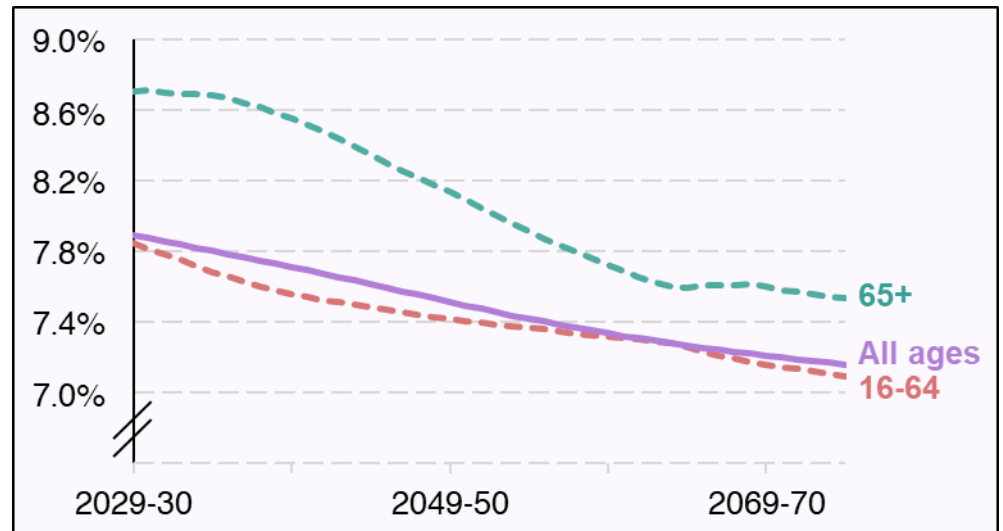
This reflects updated population projections available since our 2023 Fiscal Sustainability Report.



Scotland will become a smaller share of the UK's population

Scotland's share of the UK population is projected to fall from around 8 per cent in 2029-30 to around 7 per cent in 2074-75.

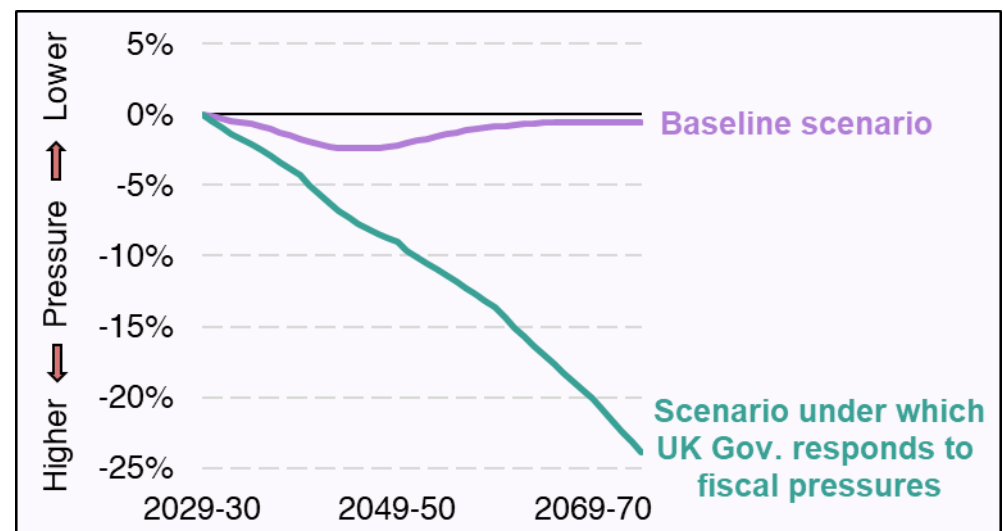
The Scottish share of the 65-and-over age group remains above the overall share, with this having implications for spending and fiscal pressures.



Projected Scottish devolved public spending is unsustainable

In our baseline scenario we project that Scottish devolved public spending will exceed funding by 1.2 per cent on average over the projection.

Accounting for a possible UK Government response to its fiscal sustainability pressures widens this gap to an average of 11.1 per cent.



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