
Fiscal Sustainability Report

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ISBN: 978-1-911637-79-0

Published by the Scottish Fiscal Commission, April 2025

Laying number: SFC/2025/3

Foreword

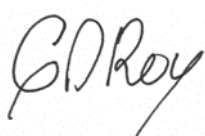
The Scottish Fiscal Commission is the independent fiscal institution for Scotland. Our statutory duty is to provide independent and official forecasts of Scottish GDP, devolved tax revenues and devolved social security spending to inform the Scottish Budget.

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.

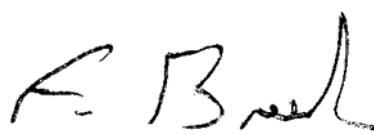
The analysis and conclusions in this report represent the collective view of the independent Commissioners. We take full responsibility for the judgements that underpin the analysis, and for the conclusions we have reached. We have been supported in this by the staff of the Scottish Fiscal Commission,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



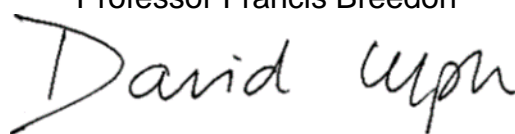
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8 April 2025

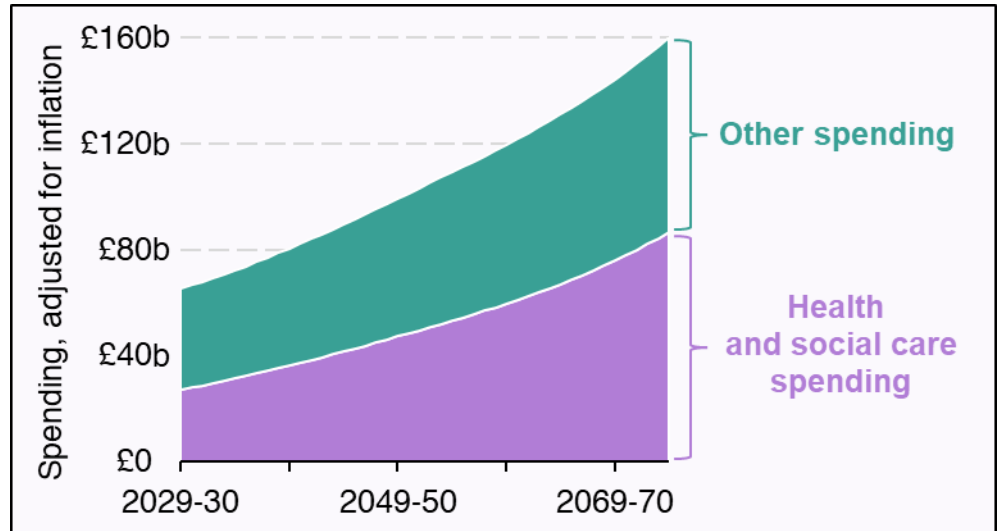
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Health and social care spending will grow as a share of the budget

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.

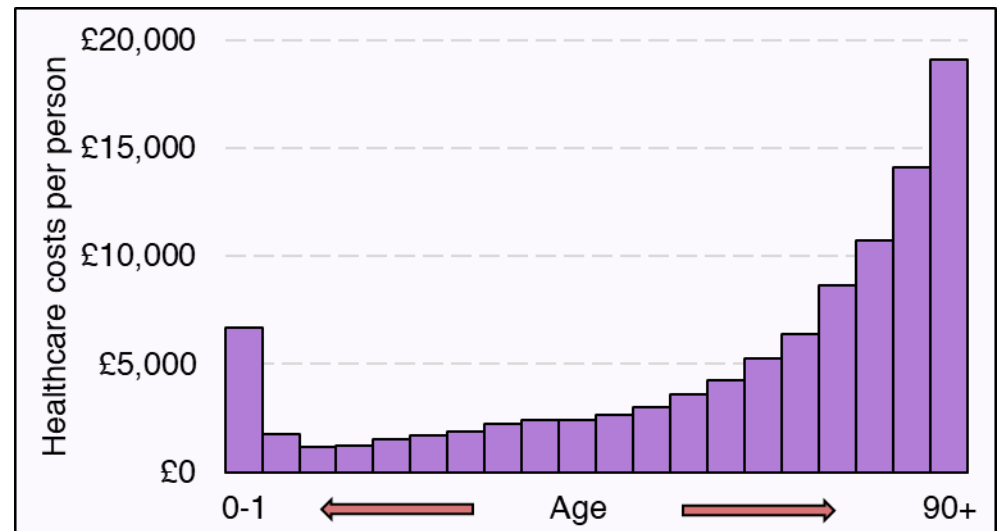
This will lead to budget pressures in future, as total spending will grow faster than funding.



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.

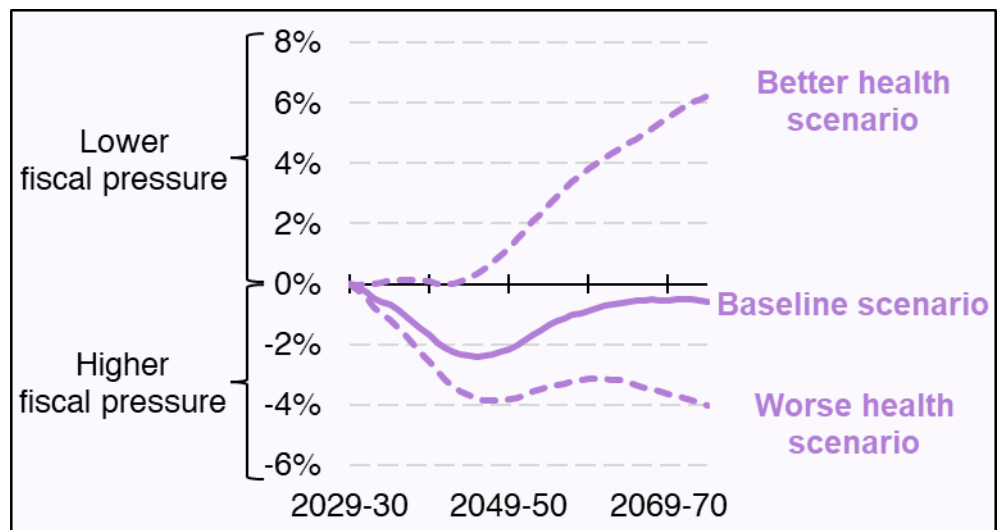


Improvements to population health could ease fiscal pressures

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.

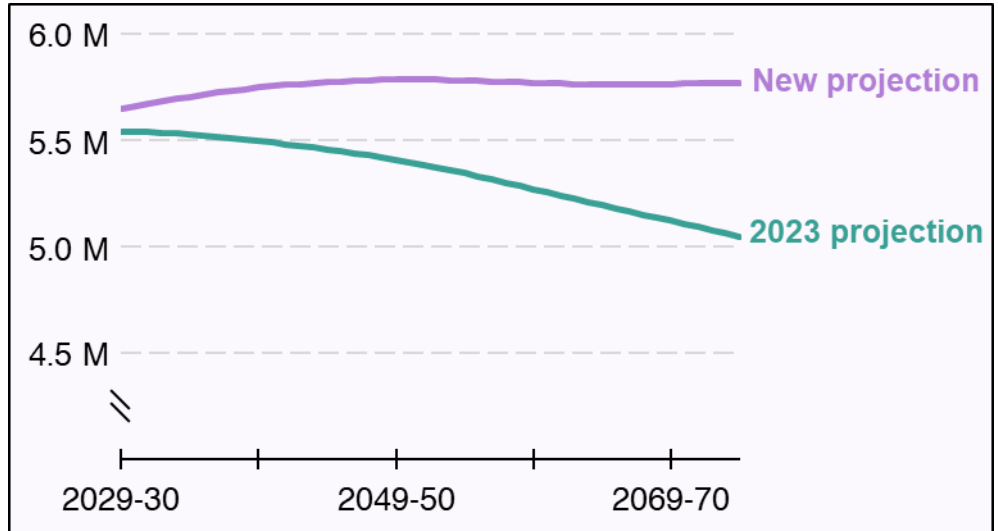
In contrast, it would rise with worsening health.



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.

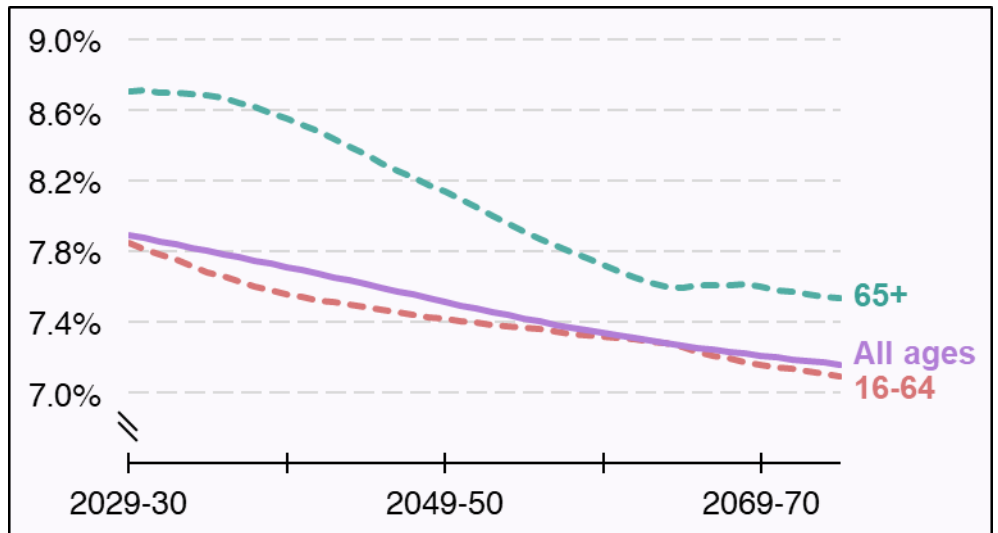
This reflects updated population projections available since our 2023 Fiscal Sustainability Report.



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.

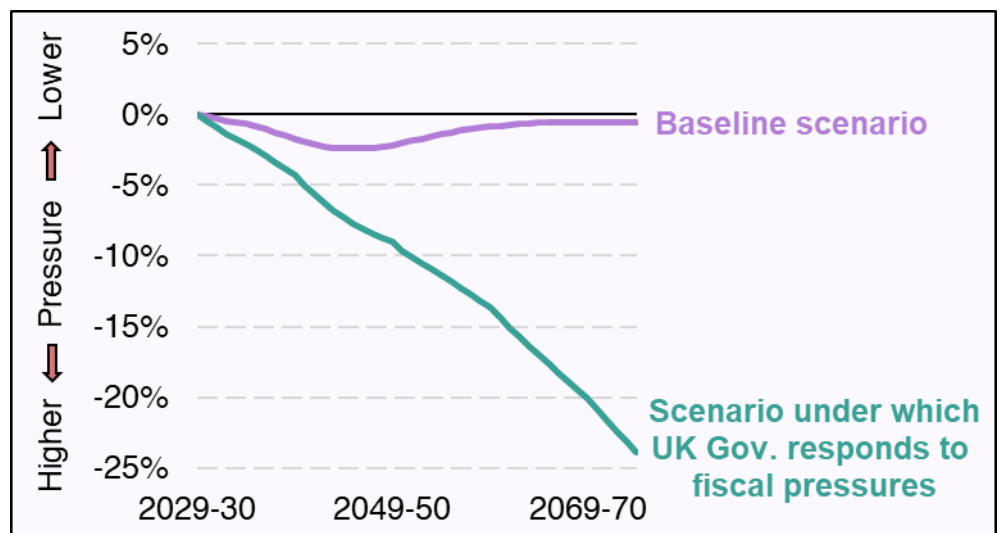
The Scottish share of the 65-and-over age group remains above the overall share, with this having implications for spending and fiscal pressures.



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.



Summary

Introduction

- 1 The health of the population affects the sustainability of the public finances. Health spending is the largest part of the Scottish Budget and is highest for older age groups.¹ With a population which will age over the next twenty-five years, health spending is expected to increase significantly. However, how the population's health changes as it ages can influence health related public spending. If improvements in health could be achieved and lead to lower health spending, the public finances could benefit. But a worsening of population health could exacerbate the fiscal challenges facing the Scottish Government.
- 2 In this report, we project devolved spending and funding up to 2074-75. We use the latest population projections for Scotland and the rest of the UK based on the recent Censuses. We also use tax and spending plans from the UK Autumn Budget in October 2024 and the Scottish Budget in December 2024.^{2,3,4} 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, UK public finances have a direct effect on the Scottish Budget. The Scottish Government's funding arrangements are explained in [Box 1](#).
- 3 We consider how the projected changes in both the size and the age structure of the population will affect economic growth as well as the Scottish Government's spending and funding. This allows us to evaluate how fiscally sustainable current policies are based on a changing population. We also discuss trends in spending on health, social care and disability payments. We then show how different scenarios of Scottish population health could affect the public finances.
- 4 Many of the fiscal sustainability challenges Scotland faces are common across the UK. The fiscal framework means that, if the UK Government changes its spending or tax plans to address the UK's fiscal sustainability challenges, there will be implications for the Scottish Government's fiscal sustainability. These will come through changes to the funding it receives from the UK Government.

¹ This report focuses primarily on health spending. We also project and discuss spending on social care and disability payments.

² Our projections are different from our medium-term forecasts, published in Scotland's Economic and Fiscal Forecasts. Our forecasts rely on detailed modelling and government policies. The long-term projections show how broad trends will affect the public finances over time. We use the term 'projection' rather than 'forecast' in our long-term analysis.

³ ONS (2025) [National population projections: 2022-based](#)

⁴ UK Government (2024) [Autumn Budget 2024](#), Scottish Government (2024) [Scottish Budget 2025-2026](#). These projections are based on the forecasts produced by the OBR in October 2024 and do not reflect the announcements in March 2024 by the UK Government which reduce planned social security spending.

- 5 Our assessment suggests that the Scottish Government will face significant challenges funding devolved public services in the future, particularly over the next twenty-five years. This is because the population in Scotland will age earlier than in the rest of the UK. However, if improvements in population health can be achieved, pressure on health related spending may be reduced in the future. This could reduce the Scottish-specific fiscal challenges arising because of demographic change.

Box 1: The Scottish Government's fiscal framework

The fiscal framework agreement between the Scottish and UK Governments sets out rules on Scottish Government funding, borrowing limits, and its use of the Scotland Reserve.⁵

The current arrangements are:

- The Scottish Government receives Block Grant funding from the UK Government each year. This is based on the Block Grant in the previous year, plus a population share of changes in UK Government spending in devolved areas such as health and social care. This calculation is called the Barnett formula.
- Block Grant Adjustments (BGAs) account for the devolution of tax and social security. Tax BGAs reduce the Scottish Government's funding as the UK Government no longer receives that revenue from Scottish taxpayers. Social security BGAs increase funding as the UK Government no longer pays those benefits in Scotland. How BGAs change over time depends on changes in UK Government devolved tax revenues and social security spending, with adjustments for population.
- The Scottish Government receives all devolved tax revenues.
- The Scottish Government cannot borrow for day-to-day spending, only for negative forecast errors from the devolved taxes and social security payments.
- Borrowing for capital investment is subject to an annual and overall limit.
- The Scottish Government can add underspends or unallocated funding to the Scotland Reserve up to an overall limit and use that funding in future years.

The Scottish Government's fiscal sustainability is therefore closely linked with that of the UK Government. When the UK Government increases spending in devolved areas, based on the needs of the English (and in some cases Welsh) population, there is additional funding for the Scottish Government through the Block Grant. When there are changes to devolved tax revenues or social security spending in the rest of the UK, funding for the Scottish Government changes through Block Grant Adjustments.⁶ Therefore, actions taken by the UK Government to address UK fiscal sustainability affect the Scottish Government's fiscal position.

⁵ Scottish Government and HM Treasury (2023) [Fiscal framework: agreement between the Scottish and UK Governments](#)

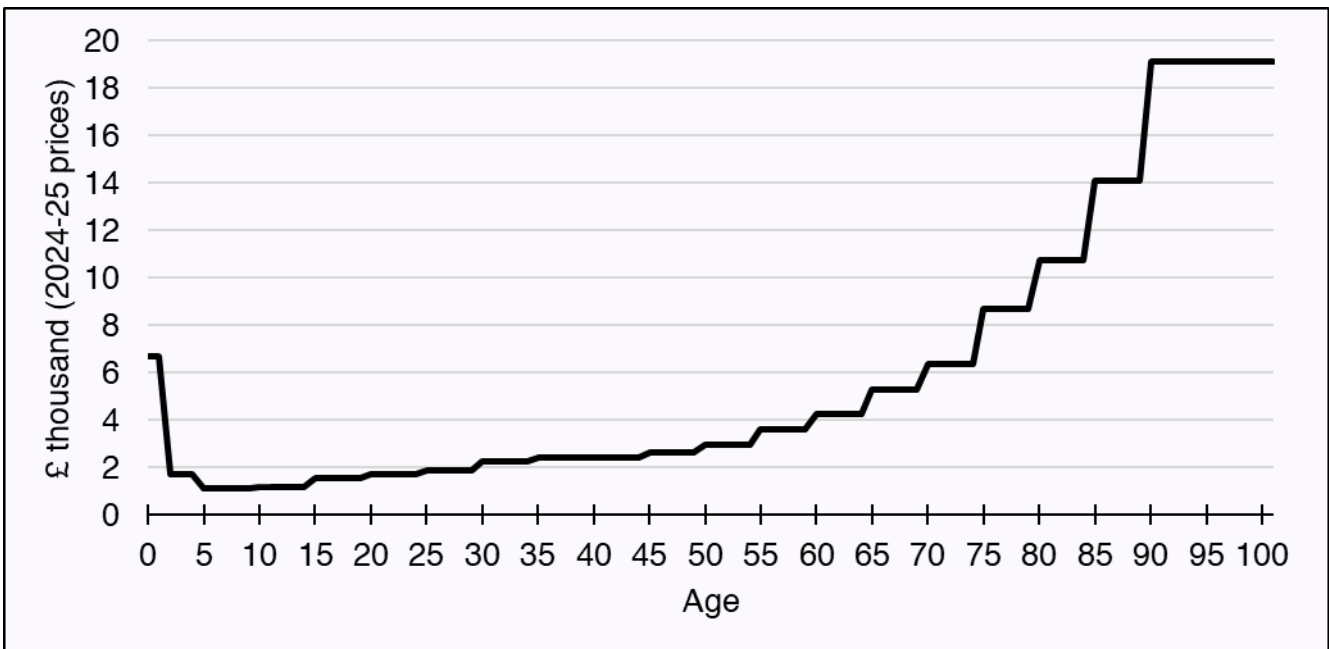
⁶ Block Grant Adjustments for tax are based on revenues in England and Northern Ireland for taxes also devolved to Wales. Block Grant Adjustments for social security are based on spending in England and Wales.

Health

- 6 Health is the largest area of spending in the Scottish Budget and grows faster than any other area. It is projected to grow from 34 per cent of Scottish devolved public spending in 2029-30 to 47 per cent in 2074-75.
- 7 This increase is partly caused by demographic changes. Health related spending increases with age, as Figure 1 shows. A growing number of people in older age groups is likely to lead to more healthcare spending. Over the next twenty-five years to 2050 the ageing population leads to upward pressure on health spending.
- 8 In addition to the demographic changes, we include other important factors in our health spending projections based on past trends. Our projections factor in the rising demand for public services (including healthcare) which happens as the economy grows and society becomes wealthier. We have a component of other cost pressures on health, which consists of three parts. First, healthcare is a labour-intensive sector where efficiencies are harder to achieve than in the wider economy. Second, technological improvements can lead to higher, not lower, costs, because of new and expanding treatments. Third, the increasing prevalence of long-term health conditions.

Figure 1: Resource health spending by age in Scotland, 2029-30

Other than for children under five, health spending increases with age



Description of Figure 1: Line graph showing the profile of health spending costs by age group. There is relatively high health spending for babies and children under five, but this falls quickly after and grows only slightly along the age distribution. From 50 onwards, health spending increases by larger amounts for each age group.

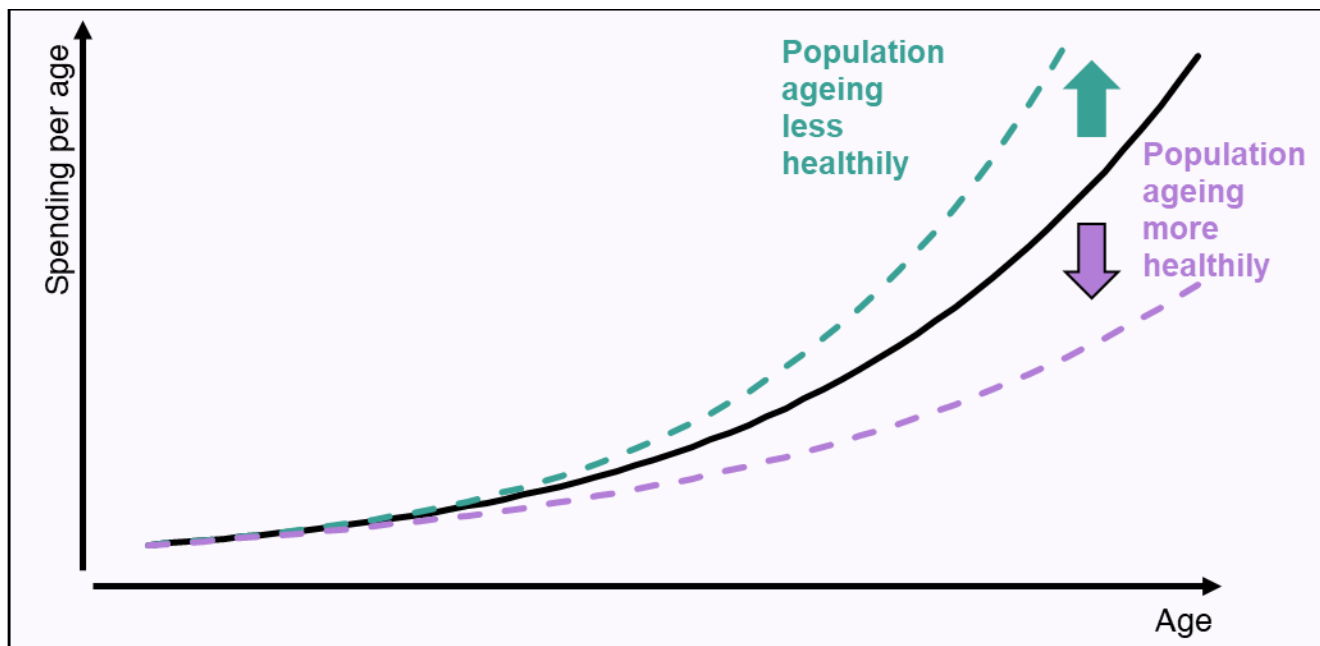
Source: Scottish Fiscal Commission, Public Health Scotland, NHS (2024) [Scottish Statement of Financial Entitlements 2024-25](#), OBR (2024) [Fiscal risks and sustainability – September 2024](#).

For this figure we have taken an average of spending between males and females.

- 9 We assume these factors apply equally to health spending in Scotland and England meaning they do not present a Scottish-specific fiscal sustainability risk in the way that Scottish demographic trends do. However, health spending rising with these factors still has implications for other areas of spending as well as for the size of the workforce required to meet higher healthcare demands. In addition, if the prevalence of long-term health conditions worsens in Scotland relative to England, for example, then the pressures on Scottish health spending may exceed the funding provided through the Block Grant.
- 10 Our projections are based on two assumptions about the health of the population. Firstly, long-term trends have shown improvements in life expectancy and our projections assume that these continue. However, in recent years we have not seen improvements in life expectancy and it may be that it is this trend which continues.
- 11 Secondly, our projections assume that improvements in life expectancy result in some improvements in the proportion of people's lives spent in good health, and therefore reduce the amount of spending on healthcare required by age, as Figure 2 illustrates.

Figure 2: Illustrative effect of different population ageing on spending per age

Changes to health improvements of ageing can change the amount of spending needed per age



Description of Figure 2: Illustrative line chart of health spending per age under different courses of population health. The chart shows that if the population ages less healthily this will lead to higher spending per age and if the population ages more healthily then this could reduce spending per age.

Source: Scottish Fiscal Commission.

- 12 Therefore, we implicitly assume there will be improvements in healthy life expectancy.⁷ However, the relationship between life expectancy and healthy life expectancy is not fixed. Gains in healthy life expectancy depend on improvements in the determinants of health such as socio-economic factors and health behaviours. We do not undertake detailed analysis on these determinants. Rather, we illustrate how the public finances will evolve based on simplified examples of these relationships. We have produced scenarios to show how changes in the health of the population as it ages could affect the public finances.

Population trends

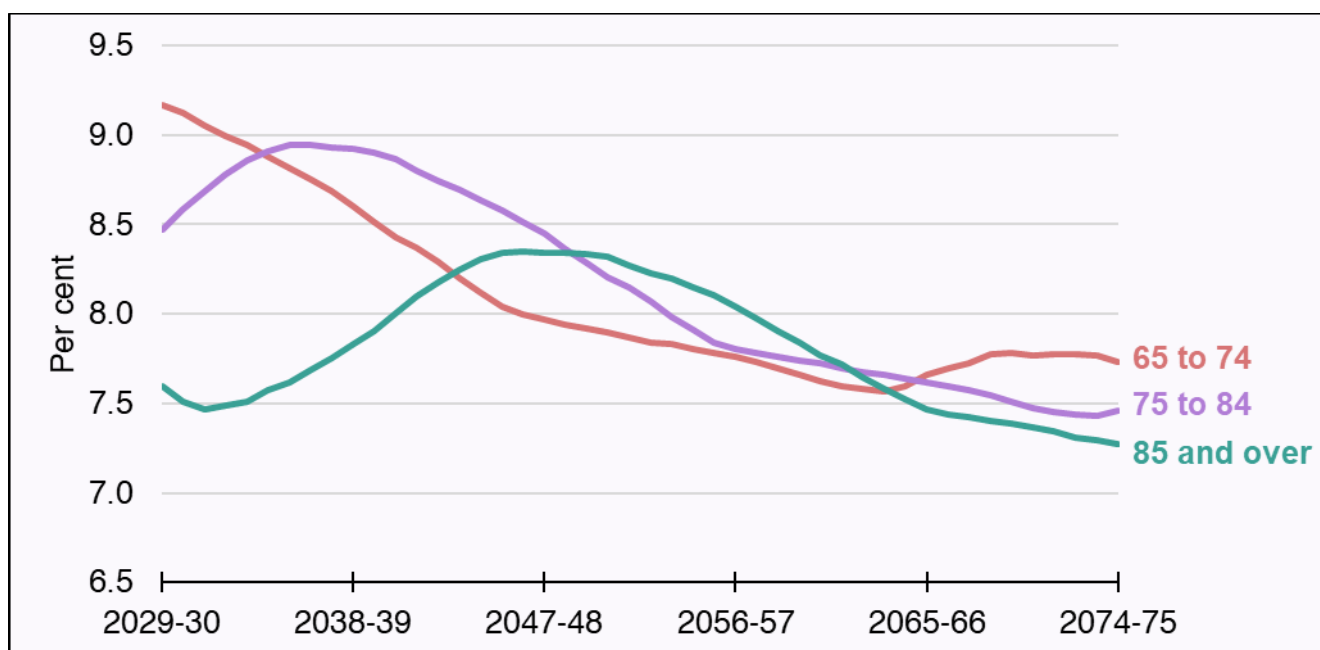
- 13 Our 2023 Fiscal Sustainability Report projected that the Scottish population would fall over the next fifty years. Since then, migration has been higher than expected, and is projected to continue at a higher level in the future. As a result, the Scottish population is now projected to continue to grow over the next twenty-five years, stabilising from 2050 onwards.
- 14 Within this growing population, some age groups are getting smaller while others are growing. The Scottish population is ageing, with the median age projected to rise from 43 in 2029-30 to 49 in 2074-75 in Scotland.
- 15 We project an increase in both the size of the older population and the share of the population at older ages. The number of people in the age groups over 65 increases over the next fifty years. The fastest growth happens over the next twenty-five years, with a 26 per cent increase projected for the number of people aged 75 to 84 between 2029-30 and 2049-50, and a 95 per cent increase projected over the same period for the number of people aged 85 and over.
- 16 At the same time, the population aged 16 to 64, the age group most likely to be working and receive lower levels of public spending, is projected to fall slightly. We also see a fall in the population aged under 16. These projections reflect trends seen in the past, previous low birth rates have contributed to a smaller population aged 16 to 64 now and will continue to do so in the future.
- 17 The size of the population over the next fifty years depends on trends in birth rates, mortality and migration. Population projections are based on assumptions about these trends. As deaths are projected to outnumber births over the next fifty years, population growth relies on assumptions on migration which can vary a lot between projections.
- 18 Despite this, the ageing of the population, and in particular the projected trends in the number of older people over the next twenty-five years, can be considered more certain. The size and age structure of the future population is mostly determined by the size and age structure of the current population, and these dynamics are more certain over the next twenty-five years than the next fifty years.

⁷ Healthy life expectancy measures the average number of years a person could expect to live in good health (defined as free from limiting illness or disability).

- 19 The size and structure of the Scottish population matters for the Scottish public finances, but equally important is the population in the rest of the UK. Over the next fifty years the Scottish share of the UK population is expected to fall. This is because, relative to Scotland, the rest of the UK is projected to have higher birth rates and higher levels of migration resulting in a faster growing population.
- 20 While Scotland's share of the total population falls, we will see the Scottish share of the UK population aged 75 to 84, and the share aged 85 and over, peak during the next twenty-five years. Figure 3 shows how the population aged 65 to 74 peaks at the start of the projection, 2029-30. As this group gets older the population aged 75 to 84 peaks as a share of the UK in the late 2030s, and the share of the population aged 85 and over peaks in the 2040s.
- 21 This has a direct impact on fiscal sustainability over the next twenty-five years. Scotland will account for a greater share of these populations associated with higher public spending. Funding received from the UK Government depends on the UK population, which has a smaller share in these age groups and therefore less age-related spending. Towards the end of the projection the population structures in Scotland and the rest of the UK become more similar which should ease some of the fiscal pressure.

Figure 3: Scottish population by age group as a share of the UK's, 2029-30 to 2074-75

Share of 75 to 84 age group peaks in the 2030s, and the 85 and overs peak in the 2040s



Description of Figure 3: Line chart showing Scotland's population relative to the UK for three age groups: aged 65 to 74, aged 75 to 84, and aged 85 and over. The Scottish share of the population aged 65 to 74 will decrease from 9.2 per cent at the beginning of the projection to around 7.7 per cent by 2074-75. As that group ages it causes peaks in the share of the population aged 75 to 84, and aged 85 and over, in the mid-2030s and 2040s, respectively. After 2050-51, all older age groups are a more similar share relative to the UK.

Source: ONS (2025) [National population projections: 2022-based](#).

Annual Budget Gap

- 22 In this report we show how spending and funding is projected to change over the next fifty years. We consider spending by both the Scottish Government and Scottish local authorities. We project health spending as outlined in [paragraphs 7 and 8](#), spending on social care, social security and education is projected with demographics as well as productivity and all other areas of spending are grown with Scottish gross domestic product (GDP). We project UK Government spending in the same way using UK GDP and apply the Barnett formula to this to project the Block Grant. We also assume the UK Government does not take action to address its own fiscal sustainability challenges. We grow income tax with demographics and productivity, and grow all other devolved taxes and local authority income with GDP. We combine these projections to measure the Scottish Government's fiscal sustainability using the annual budget gap.
- 23 The annual budget gap can be thought of as the Scottish specific fiscal sustainability challenge. It is the difference between funding and spending in each year, as a share of Scottish devolved public spending. When the annual budget gap is negative it measures how much in spending cuts or tax rises would be required each year to balance the Scottish Budget.
- 24 In our baseline scenario we project that, on average, Scottish devolved public spending would have to be reduced by 1.2 per cent each year compared to projected spending to balance the budget. This is equivalent to £1 billion in 2024-25 prices. The pressure is greater in the first decades with the annual budget gap averaging minus 1.5 per cent between 2030-31 and 2049-50 and minus 0.9 per cent between 2050-51 and 2074-75. This is because demographic pressures in Scotland are greater than in the rest of the UK over the next twenty-five years.

Health scenarios

- 25 Several indicators point to a decline in Scottish population health. Following a long period of gradual improvement, life expectancy in Scotland stagnated around 2012-14.⁸ In 2021-23 in Scotland, life expectancy was 76.8 years for males and 80.8 years for females, similar levels to those seen in 2011-13.⁹ Life expectancy has been consistently higher in England relative to Scotland. Healthy life expectancy in Scotland has declined over the last decade. The stagnation in life expectancy is a common trend in the UK, and the fall in healthy life expectancy is Scotland-specific up until 2018-20. There has been a rise in the prevalence of mental illness captured across multiple indicators. In 2022, the Scottish Health Survey recorded the lowest scores of mental wellbeing since 2008. People with mental illnesses often also have physical health conditions, and typically lower life expectancies.
- 26 Scotland faces significant health inequalities, which are disparities based on shared characteristics like location or socio-economic position. These are wider in Scotland than in England. In 2018-20, there was a twelve-year difference in average life expectancy between the most and least deprived areas in Scotland, and the difference in healthy life

⁸ Life expectancy statistics are presented as three-year averages.

⁹ ONS (2025) [National life tables: Scotland](#)

expectancy was twenty-five years.^{10,11} The difference between most and least deprived areas was three years larger in Scotland than in England for life expectancy and six years larger for healthy life expectancy.¹²

- 27 To show how changes to population health in Scotland could affect fiscal sustainability we have created better and worse health scenarios. In the better health scenario we assume that there are greater improvements in life expectancy throughout the next fifty years so life expectancy in Scotland matches that of the rest of the UK by the end of the period. We assume the gains in life expectancy are spent in better health which lowers spending on health and social care by age for people aged 45 and over. We also assume there are improvements in labour market participation, and a smaller increase in the share of the population receiving disability payments compared with our baseline scenario.
- 28 In the worse health scenario we assume the opposite. The gap between Scottish and overall UK life expectancy increases, spending on the population's health does not improve in line with life expectancy, there are reductions in labour market participation, and an increasing share of the population receives disability payments. The worse health scenario could be considered more likely as it better reflects recent trends in life expectancy, healthy life expectancy and economic inactivity, but our baseline scenario projections reflect the longer-term trends preceding 2010.
- 29 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. Scottish GDP is also higher in the better health scenario and lower in the worse health scenario.
- 30 These scenarios of better and worse health show the potential of a different trajectory for Scotland's population health to shift the course of the public finances. The ageing of the Scottish population over the next twenty-five years is largely inevitable, but the costs associated with that are not. With growth up to 2050 in the number of people aged 75 to 85, and 85 and over, there is potential to act now to improve the health of those cohorts as they age.
- 31 Our analysis highlights the demographic and health challenges facing the Scottish Budget. Improvements in public health which lead to lower requirements for healthcare spending as people age have the potential to address the Scottish-specific fiscal sustainability challenges from demographic change. We do not direct how the change in the population's health is achieved or include any investments required to achieve that in our spending projections. However, evaluation of preventative spend interventions and assessment of the evidence on how to improve population health can help direct effective change to improve population health and Scottish Government fiscal sustainability.

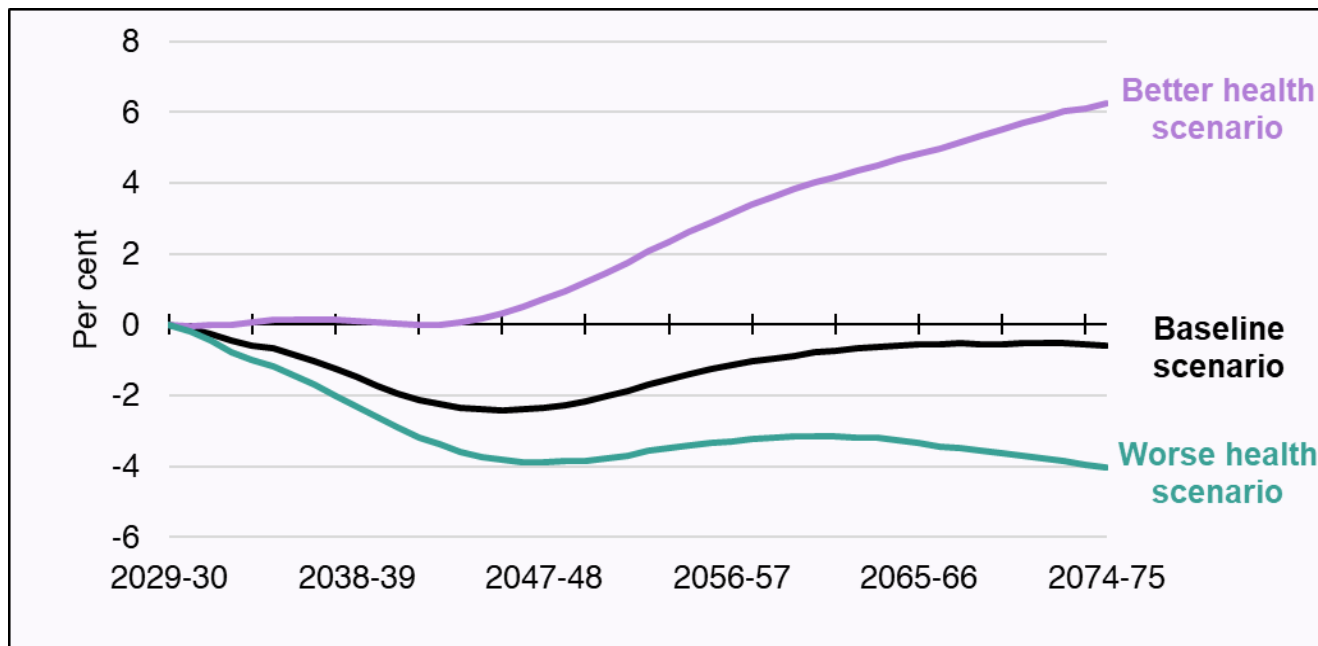
¹⁰ National Records of Scotland (2022) [Healthy Life Expectancy in Scotland 2019-2021](#)

¹¹ Values are calculated as an average of male and female life expectancies.

¹² National Records of Scotland (2022) [Healthy Life Expectancy in Scotland 2019-2021](#), ONS (2022) [Health state life expectancies by national deprivation deciles, England: 2018 to 2020](#)

Figure 4: Annual budget gap under baseline, better and worse health scenarios, 2029-30 to 2074-75

Better health could mitigate Scotland-specific fiscal pressures from demographic change



Description of Figure 4: Line chart showing the annual budget gap under three scenarios: baseline, better, and worse health. In the better health scenario, the annual budget gap is around zero until the mid-2040s and then becomes increasingly positive. In the worse health scenario, it is more negative than in the baseline scenario. The shape of the three lines is roughly the same.

Source: Scottish Fiscal Commission.

UK fiscal sustainability

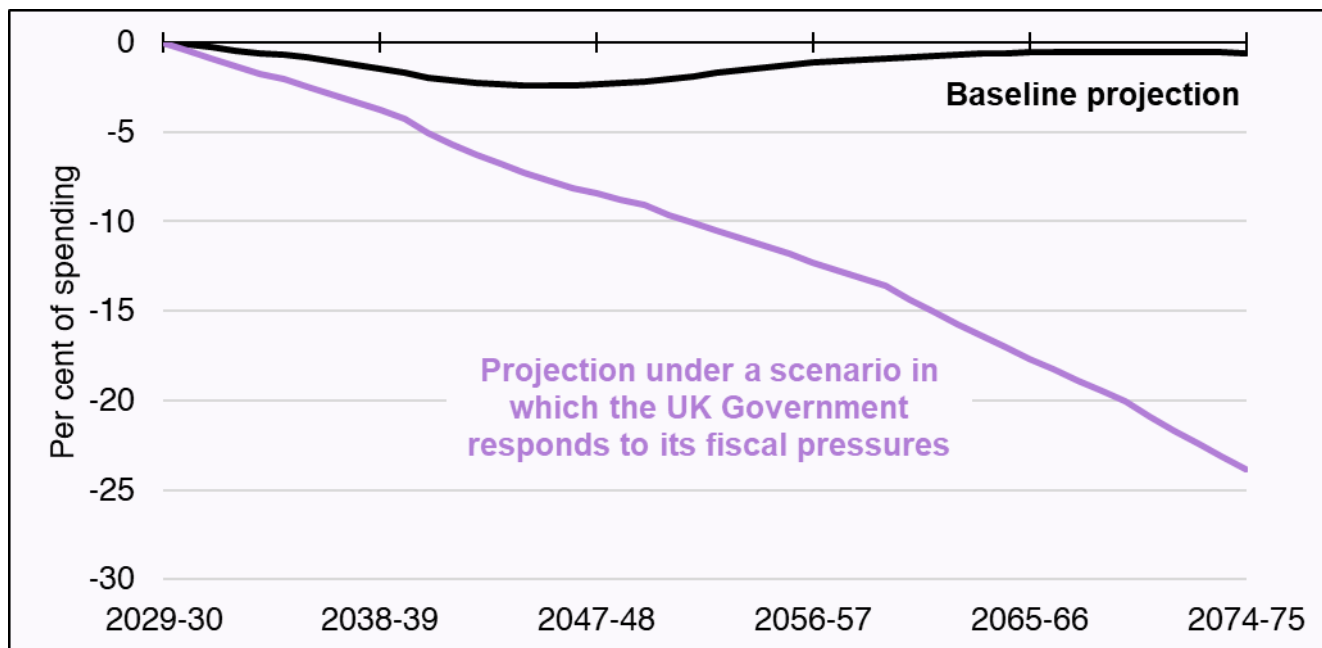
- 32 The fiscal framework agreement between the Scottish and UK Governments means that fiscal sustainability in Scotland is a shared endeavour between the governments.
- 33 The Office for Budget Responsibility (OBR) produces reports on the UK Government’s fiscal sustainability. These have shown that the UK’s public finances are not on a sustainable trajectory. Our funding projections are based on the OBR’s baseline projection. If public services in Scotland are to continue to be delivered as they are today, and based on what the OBR considers to be an unsustainable UK trajectory, Scottish Government spending over the period 2030-31 to 2074-75 will exceed the estimated funding available by an average of 1.2 per cent each year. This can be thought of as the Scottish specific fiscal sustainability challenge.

- 34 In its October 2024 Fiscal risks and sustainability report, the OBR concludes that the UK Government deficit would need to be reduced in each decade so the debt level in the 2070s returns to the pre-pandemic level.¹³ This could be achieved through reducing spending, increasing tax revenue, or a combination of both.
- 35 The fiscal framework means that, if future UK Governments take action to address their fiscal sustainability through reducing spending or raising taxes, there would be implications for Scottish Government fiscal sustainability.
- 36 Based on the OBR's suggested path for reducing the projected UK Government deficit, we have modelled a scenario where the fiscal consolidation is applied evenly across all areas of UK Government spending and tax, both reserved and devolved. This would lead to a reduction in funding for the Scottish Budget through a reduction in the Block Grant and higher tax BGAs. The result is a considerably higher annual budget gap, with a yearly average over the period 2030-31 to 2074-75 of 11.1 per cent of spending. This would mean the Scottish Government needed to reduce spending or increase devolved tax revenues each year by an average of £14 billion in 2024-25 prices. The annual budget gap resulting from a UK fiscal consolidation is much larger than the changes in the annual budget gap in the better and worse health scenarios. Although better population health would improve the fiscal position, the scale of the UK fiscal challenges mean improvements in the populations health would not be enough by themselves to solve the fiscal sustainability challenges.

¹³ The OBR state that the UK Government deficit needs to be reduced by 1.5 per cent of GDP on average in each decade to reach a debt-to-GDP ratio of 75 per cent by 2073-74. This is broadly in line with the level in the 2010s before COVID-19 and energy shocks increased it in the 2020s.

Figure 5: Scottish Government’s annual budget gap under UK fiscal consolidation, 2029-30 to 2074-75

When accounting for UK Government fiscal consolidation, the gap grows in all years



Description of Figure 5: Line chart showing the baseline annual budget gap projection and the projection under a scenario in which the UK Government responds to fiscal pressures. The gap when the UK Government responds is wider in all years of the projection, and grows in every year.

Source: Scottish Fiscal Commission.

- 37 Our spending projections are based on current policies and do not reflect some of the additional known challenges which the Scottish Government will face. Our March 2024 report on climate change highlighted how actions to mitigate climate change and reach net zero require substantial public investment which is not captured in our projections of Scottish Government spending.¹⁴ In addition, some of the costs of adapting to climate change and reducing the damage from climate change will fall on the Scottish and UK Governments.
- 38 The analysis that we present in this report highlights the long-term fiscal challenges facing the Scottish Government. The outlook for funding, spending and fiscal sustainability presented here is not inevitable. However, it indicates a need to undertake planning to address the risks and challenges. The outlook would be more challenging if spending required for climate change is included.

¹⁴ Scottish Fiscal Commission (2024) [Fiscal Sustainability Perspectives: Climate Change](#)

Chapter 1

Introduction

Overview

- 1.1 This report presents our latest assessment of the fiscal sustainability of devolved spending and funding in Scotland over the next fifty years with a focus on health. We have produced updated fiscal projections, starting from 2029-30. These are based on the OBR's October 2024 Economic and fiscal outlook (EFO) and our December 2024 Scotland's Economic and Fiscal Forecasts (SEFF) as well as the latest UK and Scottish population and economy projections.^{15,16}
- 1.2 Our 2023 Fiscal Sustainability Report (FSR) focused on demographic change.¹⁷ Since then, shifts in the economic and fiscal outlook, revised population and migration projections, and other developments have impacted fiscal sustainability.
- 1.3 The health of the population affects fiscal sustainability through both funding and spending. If population health is poor, it can reduce labour participation which in turn reduces earnings, leading to lower income tax revenue. Poor health also increases spending on health, social care, and social security. As well as growing with the wider economy, health spending is subject to growth from population ageing and other cost pressures.
- 1.4 The Scottish Budget is funded through devolved Scottish taxes and funding from the UK Government. Consequently, what matters for the fiscal sustainability of the Scottish Government is its position relative to the UK in terms of population growth, economy, devolved tax revenue, and spending pressures. If the Scottish population has poorer health than the UK, then population growth, the economy, and tax revenues may be weaker while spending pressures may be higher. This would mean a more challenging fiscal outlook. Conversely, better population health may improve Scotland's relative position and its fiscal sustainability.
- 1.5 [Chapter 2](#) presents our updated population and economy projections. [Chapter 3](#) provides an assessment of Scottish Government fiscal sustainability. In [Chapter 4](#) we discuss recent trends in population health and our projections of health, social care, and disability related social security spending. In [Chapter 5](#) we consider how changing population health could affect fiscal sustainability and present scenarios of better and worse health in Scotland. We also consider these scenarios in conjunction with the UK Government taking action to address UK-level fiscal sustainability. This illustrates the dependencies between Scottish Government finances and the UK Government's approach to fiscal sustainability.

¹⁵ OBR (2024) [Economic and fiscal outlook – October 2024](#)

¹⁶ Scottish Fiscal Commission (2024) [Scotland's Economic and Fiscal Forecasts – December 2024](#)

¹⁷ Scottish Fiscal Commission (2023) [Fiscal Sustainability Report – March 2023](#)

Fiscal sustainability

- 1.6 We assess fiscal sustainability using the annual budget gap. This is a hypothetical gap between funding and spending that highlights the Scottish Government's long-term fiscal challenges. We use the annual budget gap because the Scottish Government must keep a broadly balanced budget and is limited in how much it can borrow. In our analysis, we project the economy, spending, and funding by assuming policy is unchanged and that change is caused by demographics using projections of the Scottish Population.
- 1.7 The fiscal framework means that the sustainability of the Scottish Government's spending and tax policies is sensitive to UK fiscal policy. If the UK Government makes changes to address its fiscal sustainability, there will be direct implications for Scotland through the Block Grant and Block Grant Adjustments. These dependencies mean we need to consider the implications of UK fiscal sustainability when we think about the sustainability of the Scottish public finances.
- 1.8 Many of the fiscal sustainability challenges that Scotland faces are common across the UK. Population ageing and climate change will add to the long-term pressures on public finances. The OBR's 2024 Fiscal risks and sustainability report shows that the UK public finances are on an unsustainable path.¹⁸ In its baseline scenario, debt rises from 98 per cent of GDP in 2023-24 to 274 per cent at the end of the 50-year projection. The UK Government would need to apply fiscal tightening of 1.5 per cent of GDP on average per decade over the 50-year projection to reduce debt to pre-pandemic levels. The OBR highlights how the need for fiscal adjustment could be eased by improving the health of the population, which could slow the projected rise in debt by 40 per cent of GDP. Other ways of reducing the projected rise in debt include increasing productivity, which increases tax revenues and GDP, and limiting the rise in global temperatures, meaning lower spending on the consequences of climate change.

Health

- 1.9 Population health and health related spending are important determinants of fiscal sustainability across countries. In terms of population health, after a prolonged period of progress in life expectancy, improvements have stagnated in the UK.^{19,20} A range of health indicators point towards worsening health over the last decade including increased prevalence of long-term conditions, and mental illness, and decreases in healthy life expectancy.^{21,22} There are differences between population health in Scotland and in the rest of the UK. For example, Scotland has the lowest life expectancy out of the UK nations.

¹⁸ OBR (2024) [Fiscal risks and sustainability – September 2024](#)

¹⁹ ONS (October 2024) [National life tables – life expectancy in England and Wales: 2021 to 2023](#)

²⁰ National Records of Scotland (2024) [Life expectancy in Scotland 2021-2023](#)

²¹ Mental Welfare Commission for Scotland (2022) [Ending the exclusion: Care, treatment and support for young people with mental ill health and problem substance use in Scotland](#)

²² Scottish Government (2024) [The Scottish Health Survey 2023 - volume 1: main report](#)

- 1.10 Health spending accounts for the largest share of the Scottish Budget meaning that how it evolves over time has implications for fiscal sustainability. It currently stands at 36 per cent of the Scottish Budget.²³ Our previous fiscal sustainability analysis and this report project substantial growth in health spending both in real terms and as a share of the Scottish Budget.²⁴ Health spending per person has historically been higher in Scotland than in England and Wales. However, this difference has narrowed over the past twenty-five years.²⁵ How health spending grows in Scotland relative to the UK can influence the Scottish Government’s fiscal sustainability.
- 1.11 Over time health spending has grown faster than can be explained by demographic change alone. The rising demand for public services, including healthcare, which happens as the economy grows and society becomes wealthier increases health spending. Other influences on health spending include the prevalence of long-term conditions, technological advancements, and the labour-intensive requirements of healthcare provision. These contributing factors mean efficiencies are harder to achieve in health spending than in the wider economy. This is not unique to Scotland or the UK and is a common phenomenon across the world.
- 1.12 This report provides an illustration of how spending on health and social care will evolve if current trends continue. It is based on existing relationships between age and associated health and social care spending. We do not consider how to change those relationships or any costs required to do so but instead set out how improvements in the health of the population could benefit the public finances. We also explore how a worsening of population health would create greater challenges for the public finances.

Box 1.1: Health and climate change

This report does not integrate the effects of climate change or the Scottish Government’s climate change response into our projections because the data is currently unavailable.

Climate change has been deemed the most important health threat of the century.²⁶ Public Health Scotland report that it will exacerbate population health challenges.²⁷ There is evidence that adults over the age of 65 and people with pre-existing health conditions are at greatest risk from rising temperatures.²⁸ This report highlights that Scotland has an ageing population and poorer population health than the rest of the UK meaning the Scottish population may be more vulnerable.

²³ Scottish Fiscal Commission (2024) [Scotland’s Economic and Fiscal Forecasts – December 2024](#)

²⁴ Scottish Fiscal Commission (2023) [Fiscal Sustainability Report – March 2023](#)

²⁵ Institute Fiscal Studies (2024) [Scottish Budget 2024-25: Healthcare spending, staffing and activity](#)

²⁶ Office for Health Improvement and Disparities (2022) [Climate and health: applying All Our Health](#)

²⁷ Public Health Scotland (2023) [PHS Climate Change and Sustainability Strategic approach 2023-2026](#)

²⁸ UK Health Security Agency (2023) [Health Effects of Climate Change \(HECC\) in the UK: State of the evidence 2023](#)

In Scotland it is probable that there will be wetter winters, hotter drier summers, more intense rainfall, temperature extremes, more intense and frequent flooding as well as coastal erosion. These are likely to have wide ranging effects on health and wellbeing.²⁹ Extreme weather and its impacts such as flooding can cause damages to the health sector's infrastructure. Extreme and changing weather can also affect physical and mental health through changing patterns of diseases, disruption to food supplies, and limiting access to services.³⁰

NHS Scotland published a report of adaptation plans in which they highlighted climate risks and adaptation plans for NHS Health Boards in Scotland, such as the risk to transportation and site access, interruptions to essential supplies, and increasing patient numbers.³¹ The report acknowledges that precise adaptation costs cannot yet be determined. The unknown nature of costs around adaptation is a risk as it makes financial planning more difficult, but investment on adaptation will be inevitable and early investment is considered likely to save money in the long term.³² Adapting to climate change will require additional public spending which is not captured in our projections.

NHS Scotland aims to reach net zero emissions by 2040 and net zero emissions from its supply chain by 2045. The largest source of emissions for NHS Scotland is energy for its estate of around 1,000 buildings.³³ During the year 2022-23, NHS Scotland met all its annual energy targets related to heating and power through decarbonisation and reduction in energy consumption, but this is expected to become more challenging as further reductions will require more innovative solutions.

The additional public sector investment required to reach net zero, by health and in all areas of spending, is not included in these projections. Our previous analysis on devolved public sector costs of reaching net zero showed a greater need for investment in Scotland than in the rest of the UK. This means the risk to fiscal sustainability we present in this report is underestimated.

In our Fiscal Sustainability Perspectives: Climate Change and our 2024 Statement of Data Needs, we requested that more detailed costs be included in the Climate Change Plan, the Scottish National Adaptation Plan, and the Scottish Budget so we can better assess the risks climate change poses to fiscal sustainability.^{34,35}

²⁹ Climate Change Committee (2021) [Evidence for the third UK Climate Change Risk Assessment \(CCRA3\)– Summary for Scotland](#)

³⁰ Adaptation Scotland (2024) [Climate change impacts in Scotland](#)

³¹ NHS Scotland (2025) [NHS Scotland Climate Change Risk Assessments and Adaptation Plans: A Summary Report](#)

³² Paul Watkiss Associates (2021) [Monetary Valuation of Risks and Opportunities in CCRA3](#)

³³ Scottish Government (2024) [Annual NHS Scotland Climate Emergency & Sustainability Report](#)

³⁴ Scottish Fiscal Commission (2024) [Fiscal Sustainability Perspectives: Climate Change](#)

³⁵ Scottish Fiscal Commission (2024) [Statement of Data Needs – August 2024](#)

The Scottish context

Policy responsibility

- 1.13 The split of policy responsibility between the UK Government (reserved areas) and the Scottish Government (devolved areas) determines the effect of population health on the Scottish Budget. Healthcare has been devolved since 1999 with Scotland having full responsibility for the NHS, as well as several socio-economic determinants of health such as education and housing.
- 1.14 The World Health Organization defines the social determinants of health as the conditions in which we are born, grow, live, work and age.³⁶ This means UK Government policies can have an important effect on Scottish health through various levers and reserved social determinants of health. Examples of such levers include regulations on working conditions and policies to incentivise or penalise health behaviours. Policy decisions at the UK and Scottish level are important for the health of the Scottish population which can in turn influence the Scottish Government's fiscal sustainability. The health of the Scottish population can also affect UK Government spending on pensions and reserved social security payments.

The fiscal framework

- 1.15 Alongside shared policy responsibilities, the Scottish Government's funding arrangements are important in considering the fiscal sustainability implications of health. The fiscal framework sets out the Scottish Government's funding arrangements following the Scotland Act 2016 and the devolution of some taxes and social security payments.³⁷
- 1.16 The UK Government sets the overall fiscal position for the UK. The biggest source of funding to the Scottish Government is from the UK Government through the Block Grant. The Barnett formula leads to the Scottish Government receiving a population share of changes to UK Government planned spending in devolved areas. The Block Grant is adjusted to account for devolution of some taxes and some social security payments. The Scottish Government has limited power to borrow under the fiscal framework. It cannot accumulate substantial debt, or reserves, and is required to have a broadly balanced budget.
- 1.17 Where the Scottish Government has committed to a certain level of provision in health, social care, and social security, if services and payments are more expensive than their equivalents in England (or England and Wales for social security), meeting demand could mean pressures on other areas of public spending. Similarly, if the needs of the Scottish population are greater due to poorer health, achieving the same health outcomes as in England could cost the Scottish Government more than it receives in equivalent funding.

³⁶ BMJ (2024) [NHS and the whole of society must act on social determinants of health for a healthier future](#)

³⁷ Scottish Government and HM Treasury (2023) [Fiscal Framework: agreement between the Scottish and UK Governments](#)

- 1.18 The fiscal framework partly insulates the Scottish Government from wider health shocks which affect the UK as whole. For example, the extraordinary spending by the UK Government in response to Coronavirus (COVID-19) resulted in increased spending by the UK Government across the UK as well as additional funding for the Scottish Government.
- 1.19 As well as health related spending, population health can affect the Scottish Government's income tax revenues. Health may affect people's ability to participate in the labour market and wider economy. Increasing ill health could negatively affect income tax revenue, through rising inactivity, and people in work with a work-limiting illness working fewer hours or earning a lower hourly wage. Poorer health in Scotland relative to the rest of the UK will affect Scottish Government funding through the income tax net position which is determined by Scottish earnings relative to the UK. We discuss the income tax net position in [Chapter 3](#).

Chapter 2

Population and Economy

Overview

- 2.1 Changes in the size and age structure of the population in Scotland, and their position relative to the rest of the UK, affect economic growth and fiscal sustainability in Scotland. The Scottish Government's Block Grant depends on both spending decisions by the UK Government and the Scottish share of the UK population. The relative sizes of the population aged 16 to 64 in Scotland and the UK, which is the age group most likely to be in work or looking for work, influence relative economic performance and tax revenues.
- 2.2 The economic and fiscal projections in this report use the principal variants of the Office for National Statistics (ONS) 2022-based projections of the UK and Scottish populations, published in January 2025.³⁸ Trends in birth rates, mortality rates, and migration levels are used to project the size and age structure of the populations over the period 2029-30 to 2074-75.
- 2.3 In this chapter, we outline how Scotland's population is projected to change and age. We describe our long-term economy assumptions and present our projections of labour participation and GDP.

Population

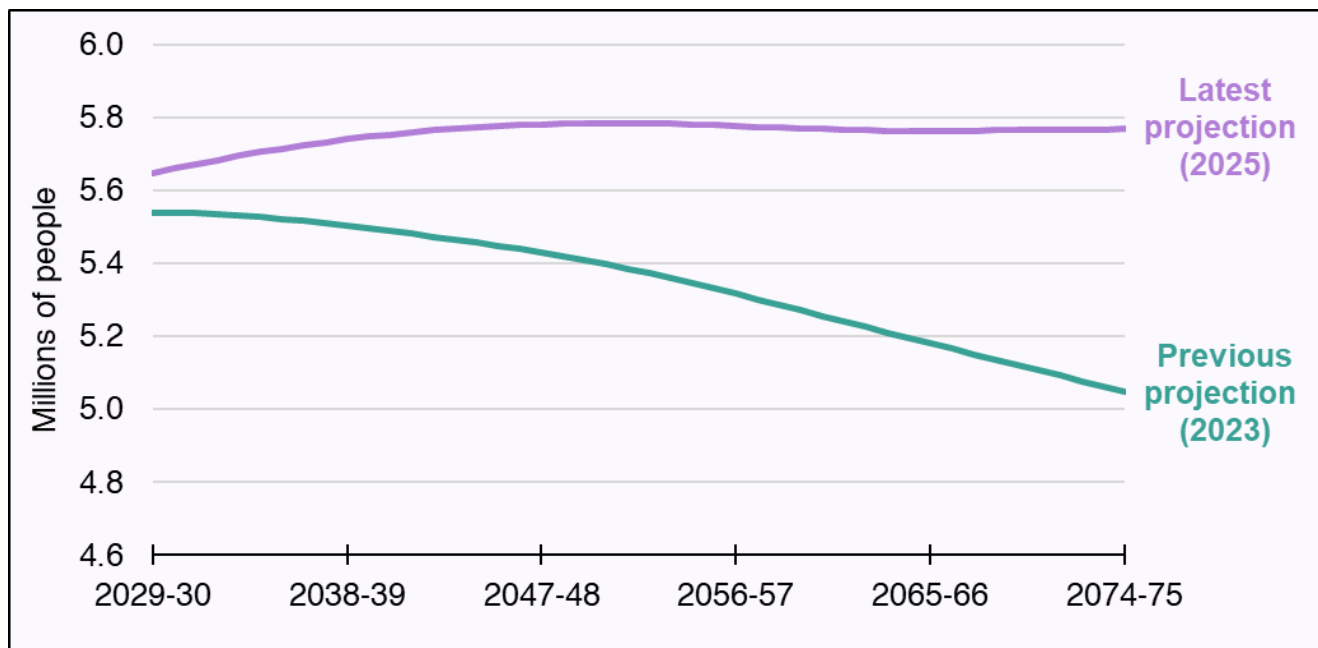
Population size

- 2.4 Population projections are based on historical trends, and assumptions about how the future population is likely to change. Projections can shift over time and are adjusted as new information becomes available on migration, births, and deaths, which all affect population age structure. In our 2023 Fiscal Sustainability Report (FSR), we projected the Scottish population to fall by 0.5 million in the period 2027-28 to 2072-73, a decrease of 8.3 per cent. We now project Scotland's population to increase from 5.6 million in 2029-30 to 5.8 million in 2074-75, an increase of 2.1 per cent. This is shown in Figure 2.1 this. This increase happens by 2050, after which the population levels out. The increase compared to the projections we used in 2023 relates to higher migration. In the UK projections, the ONS now projects birth rates to be lower than previously assumed. Slower improvements in life expectancy are also projected for both Scotland and the UK relative to our 2023 FSR.

³⁸ ONS (2025) [National population projections: 2022-based](#)

Figure 2.1: Projected population, Scotland, 2029-30 to 2074-75

Scotland’s population now projected to rise because of higher net migration



Description of Figure 2.1: Line chart showing Scotland's projected population from 2029-30 to 2074-75, now and in our 2023 FSR. Currently the population is projected to grow until 2049-50 and plateau thereafter. This contrasts with the previous projection in 2023, when Scotland's population was projected to steadily decline over the next fifty years.

Source: ONS (2025) [National population projections: 2022-based](#), Scottish Fiscal Commission (2023) [Fiscal Sustainability Report – March 2023](#).

Migration, births, and mortality

Migration

2.5 Scotland’s projected population growth is primarily because of migration. In recent years, net migration has been higher than expected. The January 2025 ONS projections are based on higher migration continuing over the long term. Total net migration to Scotland is now projected to be 30,000 people per year on average, including 20,000 net international migration to Scotland and 10,000 net cross-border migration from the rest of the UK.³⁹

Births

2.6 Birth rates in Scotland have been lower than in the UK as a whole and the ONS assumes this will continue. Women in Scotland are assumed to have 1.29 children on average over the projection, and this is assumed to be 1.44 in the UK.⁴⁰

2.7 In Scotland, the gap between the number of births and deaths is projected to widen with deaths outnumbering births by 17,000 people in 2029-30 and by 29,000 people in

³⁹ ONS (2025) [National population projections](#) see "2022-based national population projections"

⁴⁰ ONS (2025) [National population projections](#) see "2022-based national population projections"

2074-75. An ageing population and fewer children being born are contributing factors to this. Positive net migration offsets this.

Mortality

- 2.8 Scotland's life expectancy is projected to increase but remain at lower levels than in the UK as a whole. Life expectancy at birth in Scotland is projected to increase from 80.8 years for females and 76.8 years for males over the period 2021 to 2023 to 86.5 years for females and 83.2 years for males by 2074-75.⁴¹
- 2.9 The ONS projections of life expectancy are based on long-term trends. Scottish life expectancy at birth increased by four years for males and two years for females between 2000 and 2012. However, these improvements stalled between 2012 and 2019. After this period, life expectancy declined slightly and was negatively affected by the COVID-19 pandemic until 2021 to 2023.

⁴¹ National Records of Scotland (2024) [Life Expectancy in Scotland 2021-23](#)

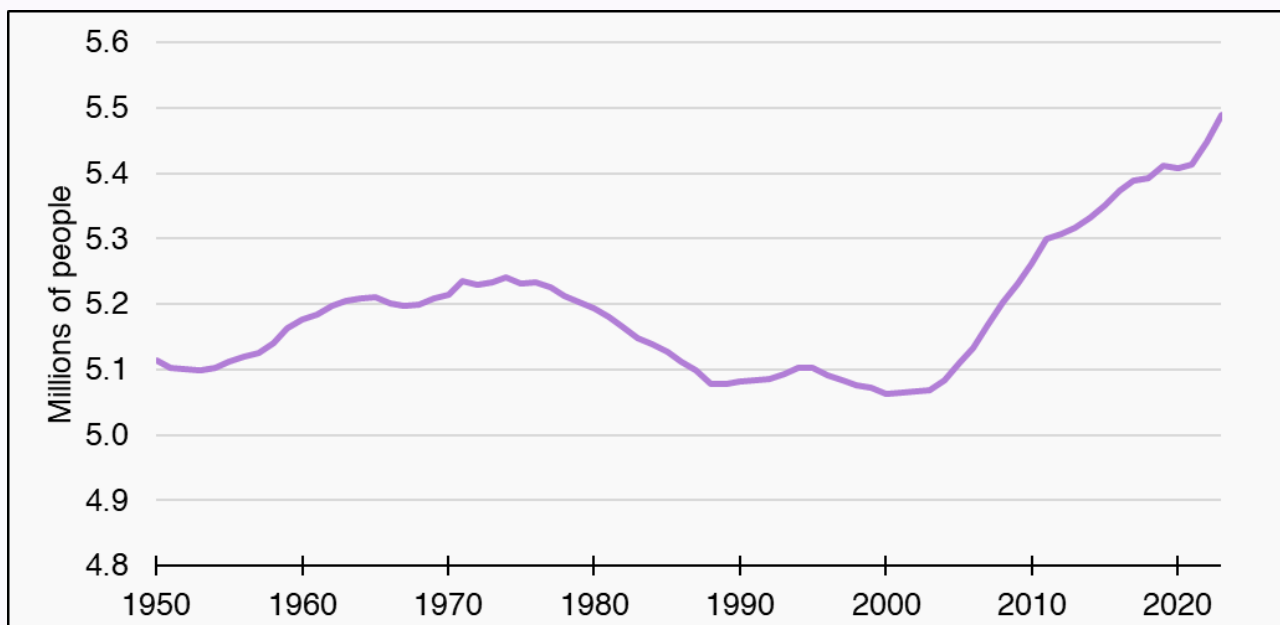
Box 2.1: Historical Population Trends in Scotland

Scotland now has a growing and ageing population. The projected increase in the population over the next fifty years is a result of net inward migration, and improvements to life expectancy.⁴² This box puts Scottish population projections into the context of longer-term population trends.

Scotland's population has not always been growing. In every decade since 1851, population growth in Scotland has been slower than in England and Wales. While Scotland was experiencing a decline in population through the 1970s to 1990s, the population of the UK was growing.⁴³ Before 1975, population growth in Scotland was primarily caused by births exceeding deaths, but the difference between these had been converging over time. Declining birth rates from the mid 1960s meant that in 1976 the number of deaths exceeded births for the first time. This decline in birth rates, as well as net outward migration, resulted in a decline in Scottish population between 1975 and 2001.⁴⁴

Figure 2.2: Population in Scotland, 1950 to 2023

Population fell from 1975 to 2001 but has grown since, caused by positive net migration



Description of Figure 2.2: Line chart showing Scotland's population from 1950 to 2023. The population grew until the 1970s, to 5.2 million, and then fell until 2001, ending below 1950 levels. From then on population grew faster, reaching 5.5 million by 2023.

Source: National Records of Scotland (2025) [Population estimates time series data](#).

The Scottish population began to grow again in 2000. This was not a result of births exceeding deaths, known as 'natural change', but a result of sustained net inward migration. Throughout the last twenty years the numbers of births and deaths have been

⁴² ONS (2025) [National population projections, mortality assumptions: 2022-based](#)

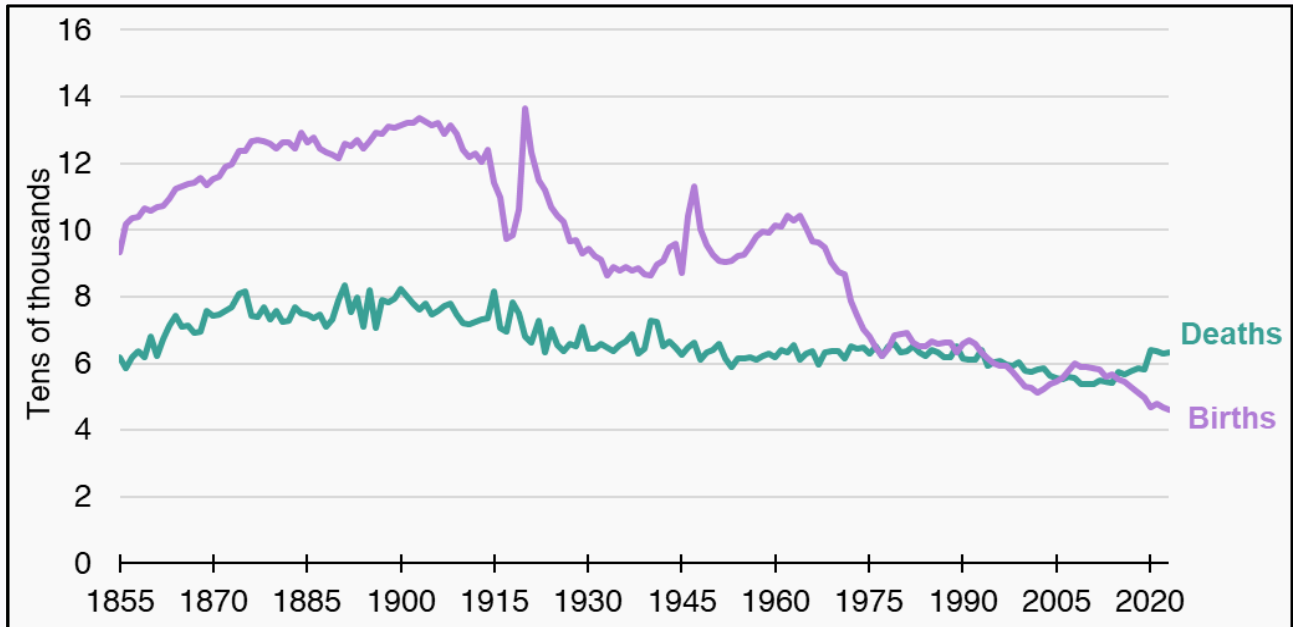
⁴³ Anderson and Roughley (2018) [The Broad Patterns of Population Change](#)

⁴⁴ Scottish Government (2021) [A Scotland for the future: opportunities and challenges of Scotland's changing population](#)

close, with deaths outnumbering births for several years. In 2023, deaths exceeded births by the largest amount recorded with 17,510 more deaths than births in Scotland.

Figure 2.3 Births and deaths in Scotland, 1855 to 2023

Deaths have exceeded births in recent history, acting as a drag on population growth



Description of Figure 2.3: Line chart showing births and deaths in Scotland from 1855 to 2023. Until 1975 births always exceeded deaths, with dips at each of the world wars followed by spikes immediately after. From 1975 births fell to be roughly in line with deaths, and from 1997 deaths have regularly exceed births.

Source: National Records of Scotland (2024) [Deaths Time Series Data](#), National Records of Scotland (2024) [Births Time Series Data](#).

On average, the number of births in Scotland has been declining since the 1920s.

Figure 2.3 shows the number of births and deaths in Scotland. There is a peak in births following World War I, and a peak following World War II. These trends are seen in both Scotland and the rest of the UK. Following the baby boom in the mid-1940s and early-1960s, there is a sharp decline in births across the UK. A divergence between the rest of the UK and Scotland emerges in 1976. In 1976 both Scotland, and England and Wales had deaths exceeding births for the first time on record. A divergence between the rest of the UK and Scotland emerges in 1976. Since then, deaths have continued to exceed, or fall just under, the number of births in Scotland. In the rest of the UK, however, other than in 1976 and 1977, no other years have had deaths exceed births and by 2000 the number of births had recovered to levels seen in the 1950s.

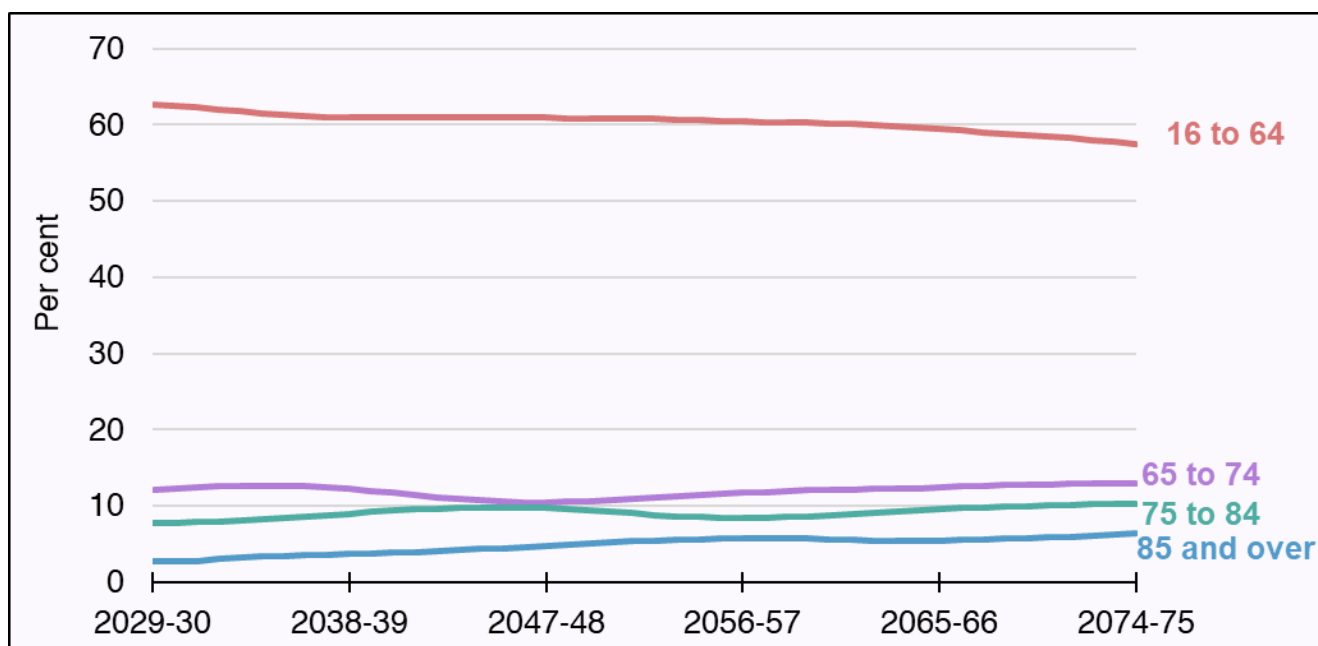
The decline in the number of births has meant that the share of the population aged under 16 has been falling. This share has been falling consistently since 1970 in Scotland. Alongside improvements to life expectancy, this has meant there is an ageing population in Scotland with people aged over 75 becoming an increasing share of the population.

Age structure

- 2.10 Scotland's population is projected to continue ageing given the low birth rate and increasing life expectancy assumptions. The median age in Scotland is projected to increase from 43 years in 2029-30 to 49 years in 2074-75.
- 2.11 The population aged 16 to 64 is the share of the population most likely to be working or looking for work. It influences the economy through the size of the labour force and the public finances through taxation and spending. The share of people aged 16 to 64 falls by 5.2 percentage points over the projection, as shown in Figure 2.4. The share of this age group falls to the greatest extent in the early 2030s and from the mid-2060s.
- 2.12 The share of the population aged 65 and over in Scotland is projected to grow over time. People aged 65 to 74 fall from 12.1 per cent in 2029-30 to 10.5 per cent in 2047-48 before increasing to 13.0 per cent by the end of the period. The number of people aged 75 to 84 grows from 7.7 per cent to 10.4 per cent over the projection period, while the number aged 85 and over grows from 2.7 per cent to 6.3 per cent. This is caused by ageing baby boomers, improved life expectancy, and declining birth rates.

Figure 2.4 Scottish population shares, by age group, 2029-30 to 2074-75

Scotland's share of the younger population is projected to fall, and older population projected to rise



Description of Figure 2.4: Line chart showing the share of Scotland's projected population by age group from 2029-30 to 2074-75. The share of the population aged 16 to 64 is projected to fall by 5.2 percentage points, while the share of the population aged 65 and over is projected to increase by 7.3 percentage points. This reflects the continued ageing of Scotland's population.

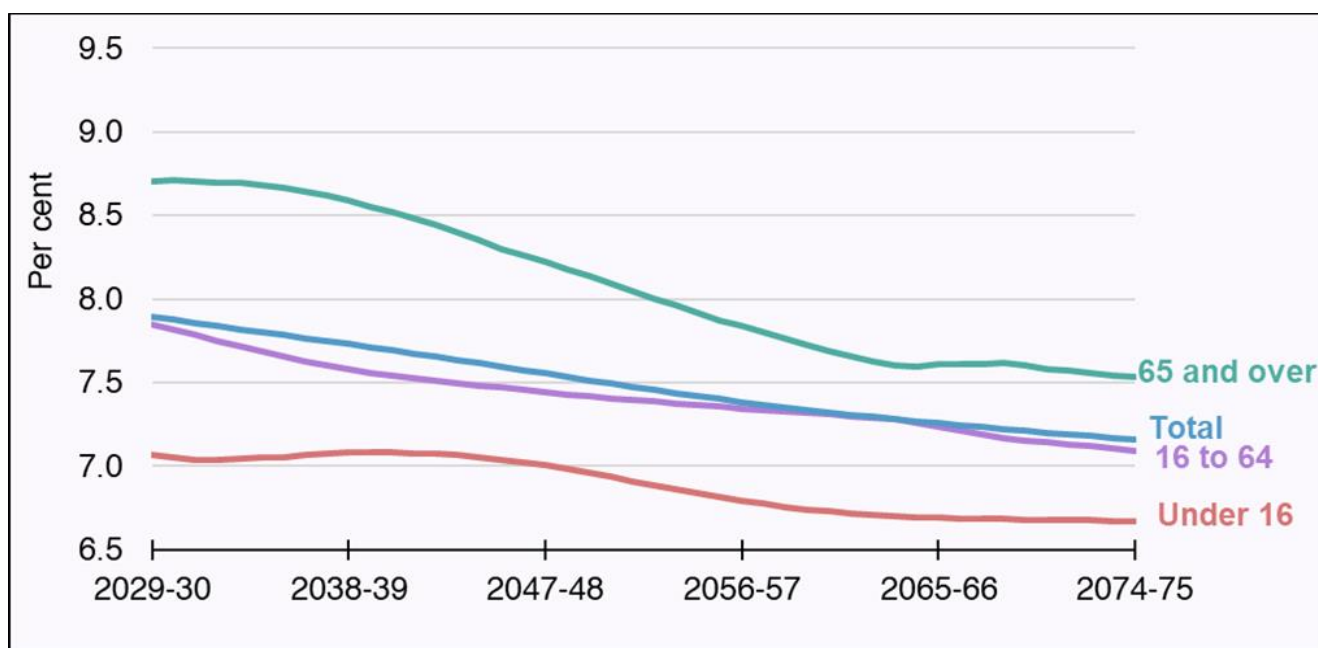
Source: ONS (2025) [National population projections: 2022-based](#).

Scottish age structure in comparison to the UK overall

- 2.13 The Scottish population is currently growing more slowly and has an older age structure compared to the UK. We discuss the implications of this for fiscal sustainability in [Chapter 3](#).
- 2.14 Figure 2.5 shows that Scotland's share of the UK population is projected to fall from 7.9 per cent in 2029-30 to 7.2 per cent by 2074-75. Both Scotland and the UK are projected to have ageing populations and fewer children. Scotland's lower projected birth rate means that its share of the UK population aged under 16 and aged 16 to 64 falls, while the UK population aged 16 to 64 increases over the projection period.
- 2.15 Scotland currently has a larger share of its population aged 65 and over than the UK. This group falls as a relative share to the UK as the UK experiences ageing later in the projection.

Figure 2.5 Scottish population as a share of the UK population, by age group, 2029-30 to 2074-75

Scotland's share of the UK population is projected to fall by 0.7 per cent by 2074-75



Description of Figure 2.5: Line chart showing the projected Scottish share of the UK population aged under 16, aged 16 to 64, aged 65 and over, and the total population. Scotland's share is projected to fall steadily for all age groups, with the exception of people aged under 16 where its share will increase slightly until the early 2040s before beginning to fall. The group that will see the largest drop relative to the UK is people aged 65 and over.

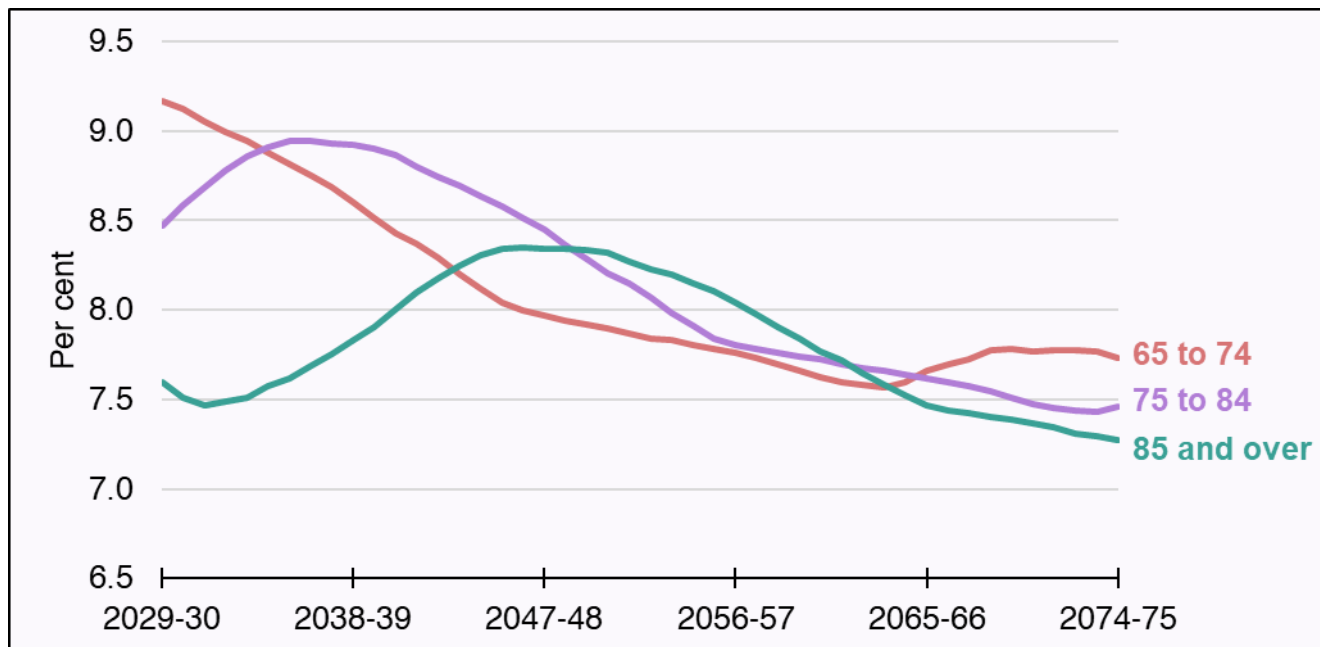
Source: ONS (2025) [National population projections: 2022-based](#).

- 2.16 Scotland's population is ageing earlier in the projection compared to the UK. Scotland's share of the UK population aged 65 to 74 decreases from 9.2 per cent in 2029-30 to 7.7 per cent in 2074-75, as shown in Figure 2.6. Scotland's share of the population aged 75 to 84 peaks at 8.9 per cent in the mid-to-late 2030s. This age group becomes those aged 85 and over peaking at 8.3 per cent in the 2040s. Subsequently, these relative shares fall as the UK experiences ageing later in the projection compared to Scotland. After 2050-51, all older age groups are a more similar share relative to the UK.

2.17 An earlier ageing population to the UK poses challenges for fiscal sustainability which we discuss in [Chapter 3](#). Population ageing adds to health, social care and social security spending which we discuss in [Chapter 4](#).

Figure 2.6: Scottish population by age group as a share of the UK's, 2029-30 to 2074-75

Share of 75 to 84 age group peaks in the 2030s, and the 85 and overs peak in the 2040s



Description of Figure 2.6: Line chart showing Scotland's population relative to the UK for three age groups: aged 65 to 74; aged 75 to 84; and aged 85 and over. The Scottish share of the population aged 65 to 74 will decrease from 9.2 per cent at the beginning of the projection to around 7.8 per cent by 2074-75. As that group ages it causes peaks in the share of the population aged 75 to 84, and aged 85 and over, in the mid-2030s and 2040s, respectively. After 2050-51, all older age groups are a more similar share relative to the UK.

Source: ONS (2025) [National population projections: 2022-based](#).

Economy

Overview

2.18 Our projections of GDP are based on two determinants of economic growth, which are how many people are in work and their level of productivity. The GDP projections show how the economy might evolve given the projected size of the population aged 16 and over, and our assumptions about participation rates and productivity growth.^{45,46}

⁴⁵ Our projections are different to our medium-term forecasts, such as those we publish in Scotland's Economic and Fiscal Forecasts. Our forecasts rely on detailed modelling of a multitude of factors and a full articulation of government policies. The main aim of our projections is to highlight broad trends over time, rather than provide a specific point estimate. Therefore, we use the term 'projection' rather than 'forecast' throughout this long-term analysis.

⁴⁶ Our assumptions for each determinant of GDP are line with the OBR's assumptions for the whole of the UK, as published in the OBR's March 2024 long-term determinants. For more information see OBR (2024) [Economic and fiscal outlook – Long-term determinants](#).

Participation rates

2.19 We project the long-term participation rate by taking current participation rates for each year of age split by sex and project these forward with population change. We take account of the OBR's projected increases in the State Pension age (SPA)⁴⁷ as people are more likely to work for longer when the SPA increases.

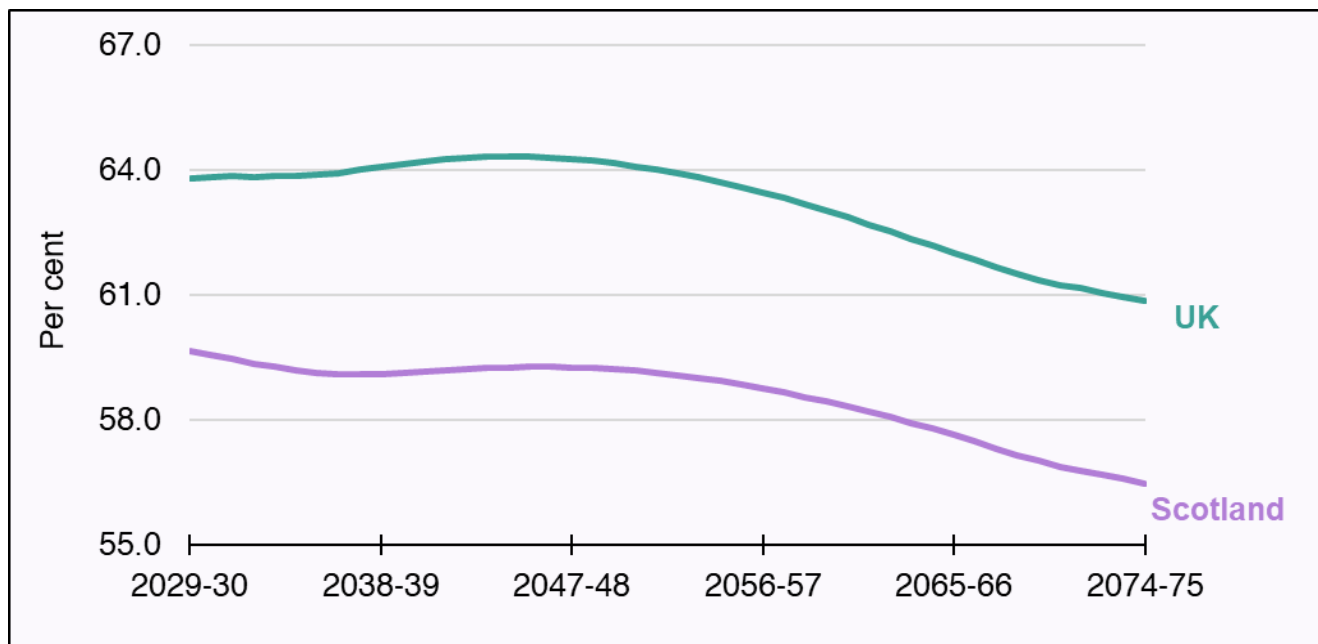
Scottish and UK participation rates

- 2.20 Participation rates start from different levels in Scotland and the UK as a whole reflecting Scotland having an older population structure and higher levels of economic inactivity. Scotland's overall participation rate is on average 4.7 percentage points per year lower than the UK's and this is fairly consistent throughout the projection.
- 2.21 Scotland's overall participation rate starts at 59.7 per cent before decreasing over the projection period, with a slight uplift in the 2040s. In the UK it starts at 63.8 per cent with a slight uplift in the 2040s before decreasing to the end of the projection. These uplifts reflect a projected increase in the SPA to 68 in 2039-40. This is likely to raise labour force participation among older workers. After this, participation decreases for both Scotland and the UK as the projected population ages.
- 2.22 Ageing affects participation as older people are more likely to be retired, or unable to work due to their health. Scotland also has lower immigration and population growth than the UK. Immigration is likely to increase economic participation because migrants are often younger and economically active. These factors contribute to a lower labour market participation rate in Scotland compared to the UK.

⁴⁷ We assume that the State Pension age will increase to 67 between 2026 and 2028, 68 between 2037 and 2039, and 69 between 2071 and 2073. We use these assumptions in our projection of participation rates in Scotland, and the UK. This mirrors the approach we took in our 2023 report. For more information see Scottish Fiscal Commission (2023) [Fiscal Sustainability Report – March 2023](#).

Figure 2.7: Projection of the overall participation rates, Scotland and UK, 2029-30 to 2074-75

Participation in Scotland follows a similar trend compared to the UK but at a lower level



Description of Figure 2.7: Line chart showing projection of the overall labour force participation rates for Scotland and the UK as a whole, from 2029-30 to 2074-75. Both lines have a similar pattern, rising slightly in the mid-2040s and falling thereafter. There is a broadly constant gap of 4.7 percentage points on average between the UK and Scotland throughout the projection.

Source: Scottish Fiscal Commission.

Productivity

2.23 Labour productivity is the amount of goods and services produced across the whole economy for an hour of work. Labour productivity growth is caused by technological advancement, increased efficiencies in working practices, and human and physical capital. We mirror the OBR's projection of productivity growth as published in their March 2024 long-term economic determinants.⁴⁸ We assume labour productivity in Scotland and in the UK grows on average by 1.3 per cent per year from 2030-31 to 2035-36, followed by growth of 1.5 per cent per year until the end of the projection period.

2.24 The slower initial productivity growth rate is because of the assumed effect of Brexit on economic growth. The assumption of 1.5 per cent is based on long-term trends. We and the OBR assume in our projections that productivity growth will be higher in the future based on the long-term historical average.

GDP

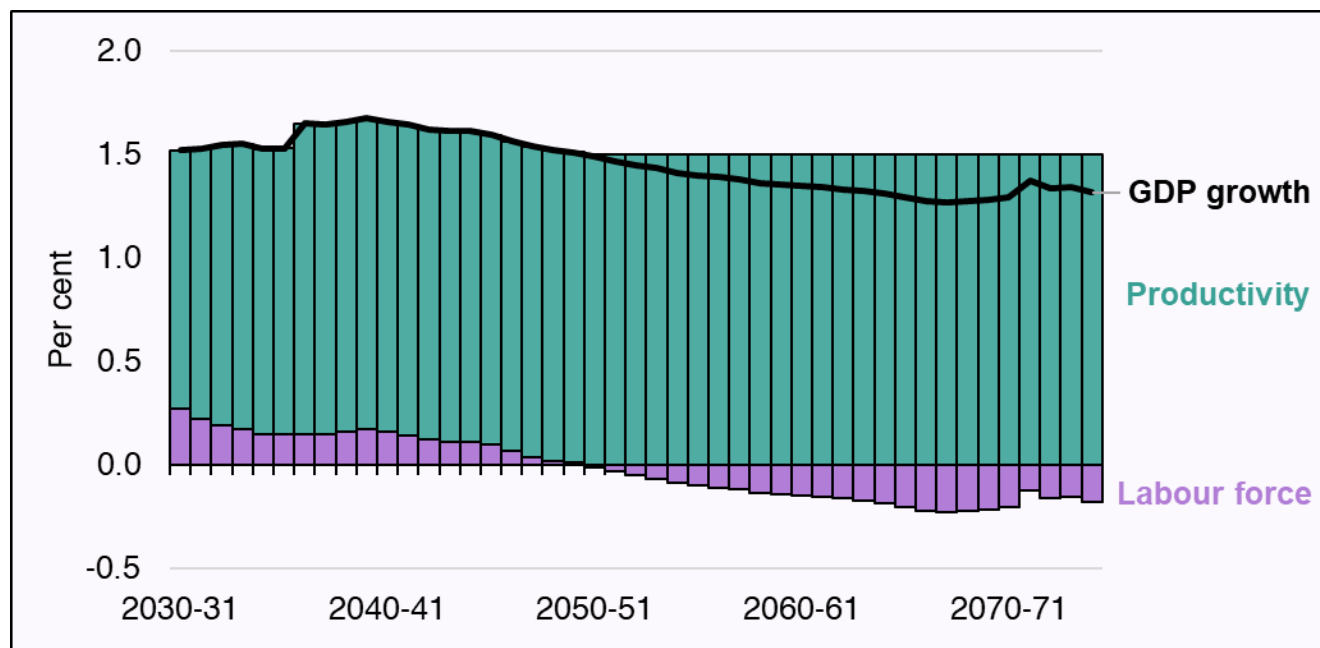
2.25 Scottish real GDP growth averages 1.5 per cent each year over the projection because of growth in productivity and the labour supply. The labour supply is affected by the size of the population aged 16 and over, unemployment rates, participation rates, and the average number of hours worked per week. Productivity is the primary determinant of

⁴⁸ OBR (2024) [Long-term economic determinants – March 2024 Economic and fiscal outlook](#)

long-term economic growth. From 2050-51 onwards, productivity growth is slightly offset by reductions in the labour supply as the Scottish population ages and its size plateaus, this reduces GDP growth slightly. This is shown in Figure 2.8.

Figure 2.8: Components of projected Scottish GDP growth, 2030-31 to 2074-75

Scottish GDP growth influenced by assumed rises in productivity with demographics being a drag from 2050



Description of Figure 2.8: Bar and line chart showing the components of Scottish GDP growth from 2030-31 to 2074-75. Productivity is projected to be the main contributor of GDP growth throughout the projection. The labour force contributes positively to start with, but by 2050-51 it becomes a drag for economic growth.

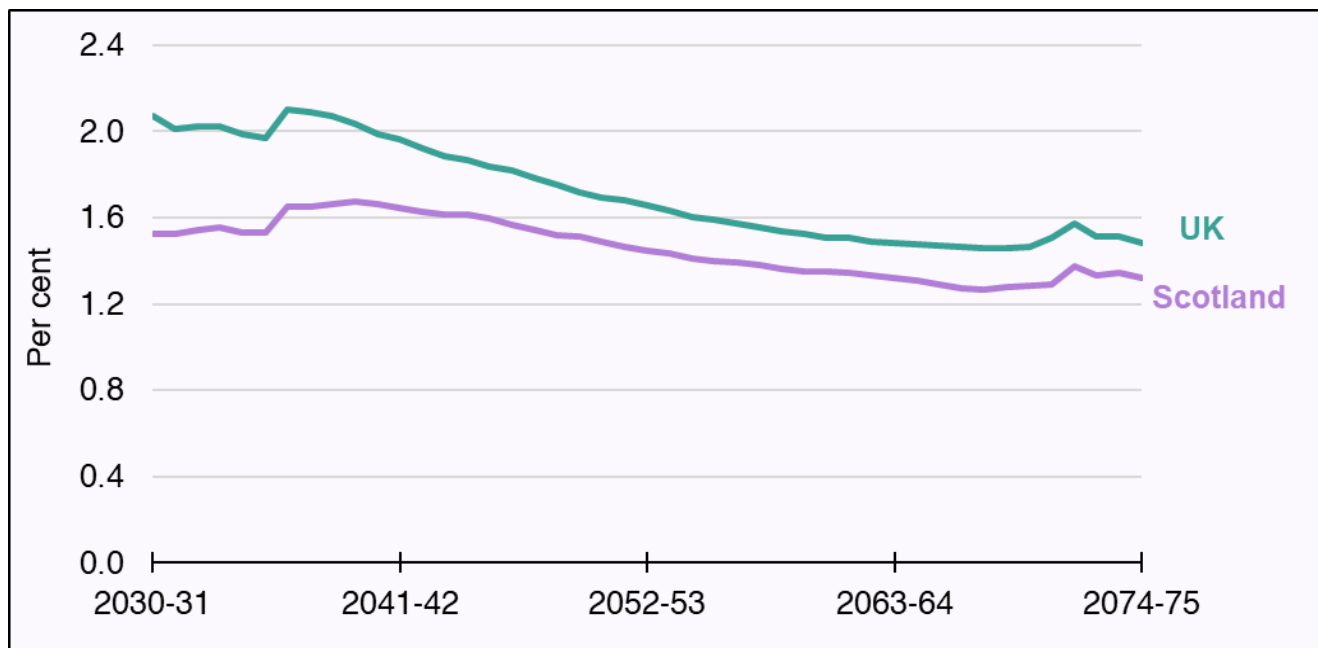
Source: Scottish Fiscal Commission, OBR (2024) [Economic and fiscal outlook – Long-term determinants](#).

Scottish GDP in comparison to the UK overall

- 2.26 In our 2023 FSR, we used the OBR’s UK GDP projection for our projections of UK Government spending. The latest available long-term GDP projections for the UK are based on population projections preceding the ONS January 2025 release so we have produced our own projection of UK GDP. This ensures Scottish and UK GDP, and therefore our spending and funding projections, reflect the same population assumptions and avoids methodological bias in our fiscal sustainability assessment.
- 2.27 Our projection of UK GDP growth averages 1.7 per cent each year, 0.3 percentage points higher than for Scotland. This is mainly because Scotland’s population aged 16 and over, which is used to calculate GDP, is projected to increase by 4.6 per cent over the projection period, compared to a rise of 16.5 per cent for the UK.

Figure 2.9: Projected Scottish and UK GDP growth, 2030-31 to 2074-75

Scottish and UK GDP to follow a similar trend, but Scotland's growing more slowly



Description of Figure 2.9: Line chart showing projected GDP growth for Scotland and the UK from 2030-31 to 2074-75. Both lines follow a similar pattern throughout the projection with the gap narrowing overtime, but Scotland's GDP growth is projected to be lower than in the UK, by around 0.3 percentage points.

Source: Scottish Fiscal Commission.

Chapter 3

Fiscal Projections

Overview

- 3.1 This chapter presents our projections of funding and spending and how these will affect the Scottish Government's fiscal sustainability up to 2074-75.
- 3.2 We project funding and spending using broadly the same approach as in our 2023 FSR, considering spending by both the Scottish Government and Scottish local authorities. We have made changes including new age-sex spending profiles for health and social care spending in Scotland, updated how we project disability-related social security payments, and have updated our modelling to incorporate changes in our healthy life expectancy assumption into our health and social care spending projections. We discuss methodology updates in [Annex A](#). We discuss how our projections compare to those in our 2023 FSR in [Annex B](#).
- 3.3 We assume policy remains unchanged based on the funding and spending data from the OBR's October 2024 Economic and fiscal outlook (EFO), our December 2024 Scotland's Economic and Fiscal Forecasts (SEFF), and our publication on Mitigating the two-child limit and the Scottish Budget.⁴⁹
- 3.4 We project income tax revenues and social security Block Grant Adjustments (BGAs) in line with demographics. Our projections of health, education, social security, and social care spending are based on demographic changes. We assume that as the economy grows and people become wealthier, people have a higher expectation of public services in all areas. We refer to this as the income effect. To apply it to our projections, we grow demographic areas of spending with productivity and all other areas with real Scottish GDP, which is determined by the population and economic projections set out in [Chapter 2](#).
- 3.5 For projecting Scottish Government funding through the Block Grant, we assume demographics affect UK Government spending on health, education, social security, and social care. We grow other areas of UK Government spending in line with real UK GDP as shown in [Chapter 2](#). Income tax revenue is grown in line with demographics, and all devolved taxes other than income tax are grown with real Scottish Gross Domestic Product (GDP).
- 3.6 We provide more discussion of health, social care, and disability-related social security spending in [Chapter 4](#).

⁴⁹ OBR (2024) [Economic and fiscal outlook – October 2024](#), Scottish Fiscal Commission (2024) [Scotland's Economic and Fiscal Forecasts – December 2024](#), and Scottish Fiscal Commission (2025) [Mitigating the two-child limit and the Scottish Budget](#). We do not take into account changes in spending plans since these forecasts. Therefore, our analysis does not include the UK Government announcements on changes to disability payments at the 2025 Spring Statement.

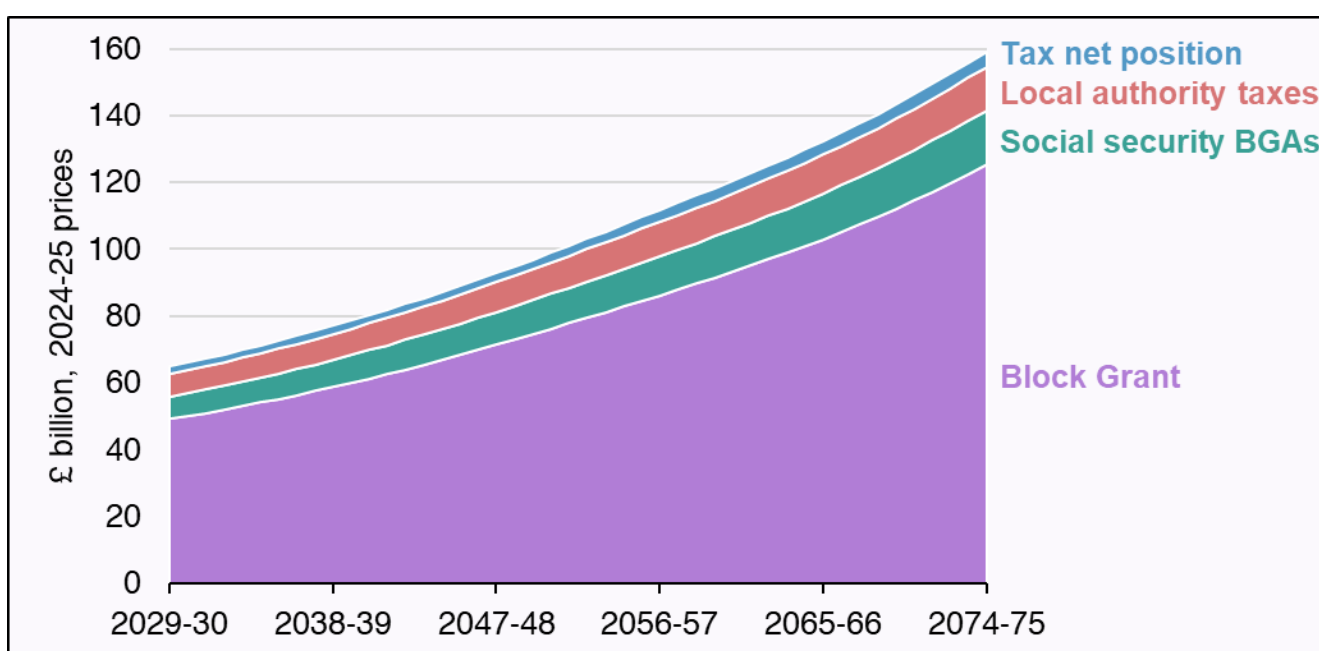
Funding

Overview

3.7 Devolved Scottish funding consists of the Block Grant, Scottish Government tax revenues, local authority revenues, and other relatively small sources of funding.⁵⁰ We project total devolved funding will more than double in real terms, growing from £65 billion in 2029-30 to £159 billion in 2074-75. Our projection of total funding is shown in Figure 3.1. The Block Grant grows as a share of total funding throughout the projection period, growing from 76 per cent of all funding in 2029-30 to 79 per cent in 2074-75.

Figure 3.1: Projected devolved public funding, 2029-30 to 2074-75

Funding grows in every year of the projection, mainly composed of the Block Grant



Description of Figure 3.1: Area chart showing the projection of Scottish devolved public funding from 2029-30 to 2074-75, in 2024-25 prices. The Block Grant makes up the majority of funding in all years, growing from £65 billion in 2029-30 to £159 billion in 2074-75.

Source: Scottish Fiscal Commission.

Block Grant

3.8 The Block Grant is the majority of the funding the Scottish Government receives from the UK Government. Each year it is made up of the previous year's Block Grant and Barnett consequentials reflecting a Scottish population share of changes in UK Government spending in devolved areas.

3.9 We assume government policy remains constant for both the Scottish and UK Governments, and apply the same methodologies in growing spending for both. With a

⁵⁰ These include capital borrowing and budget cover transfers from the UK Government, such as the Migrant Surcharge or City Deals, which we project to be flat in nominal terms.

projected growing and ageing population, UK Government health spending accounts for the largest increases in the Block Grant over the projection period.

Block Grant Adjustments

- 3.10 The Block Grant is adjusted to account for the devolution of some taxes and social security payments. The BGAs are updated each year to account for spending or revenue per person in the rest of the UK, and are calculated separately for each devolved tax and social security payment.⁵¹
- 3.11 The social security BGAs increase the Block Grant because the Scottish Government has become responsible for some social security payments, which the UK Government no longer pays. The BGAs are influenced by the population, eligibility, and uptake of social security payments in the rest of the UK.
- 3.12 Figure 3.2 shows the projected social security BGAs.⁵² These increase funding based on our projection of social security payments in England and Wales. Social security BGAs grow steadily in 2024-25 prices, from £6.7 billion in 2029-30 to £14.8 billion in 2069-70.

Figure 3.2: Projected social security BGAs, 2029-30 to 2069-70

£ billion, 2024-25 prices	2029-30	2039-40	2049-50	2059-60	2069-70
Social security BGA	6.7	8.3	10.2	12.4	14.8

Source: Scottish Fiscal Commission.

This projection of the social security BGA does not include changes to disability payments by UK Government outlined in the HM Treasury (2025) [Spring Statement 2025](#).

Devolved taxes

- 3.13 The Scottish Government receives all devolved tax revenues. Tax BGAs reduce the Block Grant, to account for the tax revenues that the UK Government no longer receives after devolution. The difference between the two is the tax net position and shows the contribution of tax to the Scottish Budget. We project devolved tax revenues and tax BGAs in line with the demographic and economic projections set out in [Chapter 2](#).
- 3.14 We project income tax revenues based on demographics, and our assumption that real average earnings grow in line with productivity at the same rate throughout the UK. We assume all tax thresholds grow in line with nominal average earnings. This means the number of taxpayers in each band only changes because of demographic factors. We assume all other devolved tax revenues will grow in line with Scottish GDP, and all other tax BGAs will grow in line with UK GDP.
- 3.15 As the population ages, there are more taxpayers aged 45 and above. Taxpayers in their 40s and 50s earn the most of all taxpaying age groups, and pension incomes are projected to grow faster than other incomes. Taken together, the increased number of people aged 45 and over means that the number of taxpayers paying the intermediate

⁵¹ Scottish Fiscal Commission (2021) [Funding for the Scottish budget](#)

⁵² These projections are based on the forecasts produced by the OBR in October 2024 and do not reflect the announcements in March 2024 by the UK Government which reduce planned social security spending.

rate or above rises from 42 per cent in 2029-30 to 45 per cent in 2074-75. This means that tax revenues in Scotland rise in all years of the projection.

- 3.16 Between 2029-30 and 2049-50 the Scottish population grows in size, it is also falling as a share of the UK population. The tax net position is affected by both these changes, with revenues in England and Wales, multiplied by the relative growth in the Scottish population used to calculate the BGAs. The BGAs grow at a similar rate to tax revenues up to 2049-50 because the growing number of people in Scotland offsets the effects of a declining population share. Overall the tax net position grows from £2.2 billion in 2029-30 to £2.8 billion in 2049-50, an increase of 25 per cent.
- 3.17 From 2050-51 onwards, the Scottish population does not grow in size and is also falling as a share of the UK population. This means tax per person grows more quickly in Scotland than in the rest of the UK and the growth in tax revenues is greater than the growth in the tax BGAs, leading to a rising tax net position from 2050-51 onwards.
- 3.18 Figure 3.3 shows our projection of devolved tax revenues, tax BGAs, and the tax net positions in 2024-25 prices. Income tax makes the largest contribution to the positive tax net position, with an average of £3.0 billion each year. Land and Buildings Transaction Tax slightly increases the net position with an average of £0.2 billion in each year, while the net position for Scottish Landfill Tax is inconsequential.

Figure 3.3: Projections of devolved tax net positions, 2029-30 to 2069-70

£ billion, 2024-25 prices	2029-30	2039-40	2049-50	2059-60	2069-70
Income tax net position	2.1	2.4	2.6	3.6	4.0
of which: revenues	22.8	27.5	32.7	38.0	44.0
of which: BGAs	-20.7	-25.2	-30.1	-34.4	-40.0
Land and Buildings Transaction Tax net position	0.2	0.2	0.2	0.2	0.3
of which: revenues	1.1	1.3	1.5	1.8	2.0
of which: BGAs	-1.0	-1.1	-1.3	-1.5	-1.7
Scottish Landfill Tax net position	0.0	0.0	0.0	0.0	0.0
of which: revenues	0.0	0.0	0.0	0.0	0.0
of which: BGAs	0.0	0.0	-0.1	-0.1	-0.1
Total tax net position	2.2	2.5	2.8	3.8	4.2

Source: Scottish Fiscal Commission.

Figures may not sum because of rounding.

Spending

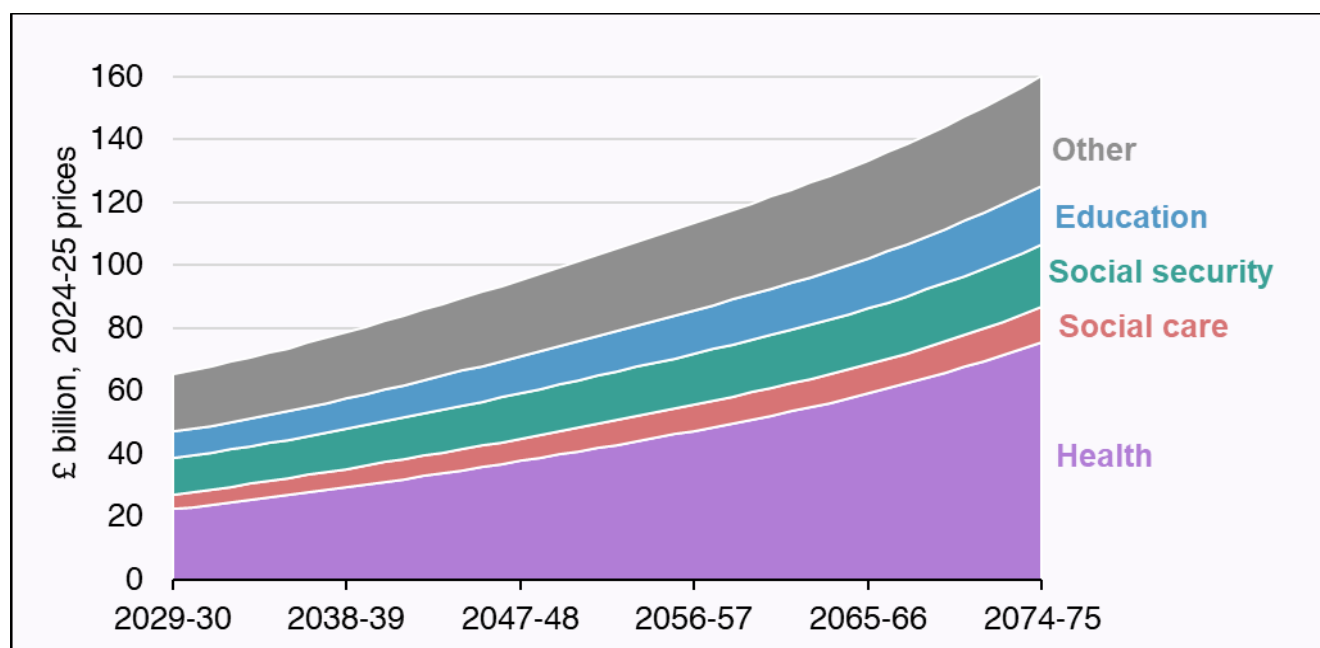
- 3.19 Total devolved spending (by both the Scottish Government and Scottish local authorities) is projected to grow from £65 billion in 2029-30 to £160 billion in 2074-75 in 2024-25 prices, a growth of 145 per cent. Our spending projections for health, social

care, social security, and education grow based on the size and age structure of the population and with productivity to capture demand rising with societal wealth. Our projection of health spending includes other cost pressures and is outlined in more detail in [Chapter 4](#). Spending on all other areas, such as social work, transport, police services, and environmental services, is assumed to grow in line with Scottish GDP.

- 3.20 Figure 3.4 shows the growth in each area of devolved spending. Health spending increases the most over the projection period. It grows from £22 billion in 2029-30 to £76 billion in 2024-25 prices at the end of the projection period, and accounts for 56 per cent of all spending growth. Spending on social care and social security grows with population size and ageing as older people are more likely to receive care and social security payments. Education only has a small effect on overall spending growth as the number of young people is projected to fall over the fifty year projection.
- 3.21 Spending on social care grows by 131 per cent over the projection period, compared to 238 per cent growth in health spending. Social security spending grows at 129 per cent. Other areas of spending grow by 92 per cent. Education has the least growth at 69 per cent by 2074-75. We discuss health and social care spending in more detail in [Chapter 4](#).

Figure 3.4: Projected devolved public spending, 2029-30 to 2074-75

Public spending grows in all years of the projection, mainly because of health spending



Description of Figure 3.4: Area chart showing the projection of Scottish devolved public spending from 2029-30 to 2074-75, in 2024-25 prices. Health spending is the largest area of growth, growing from £22 billion in 2029-30 to £76 billion in 2074-75. All other areas of spending grow steadily through the projection.

Source: Scottish Fiscal Commission.

- 3.22 Figure 3.5 shows how the share of spending in each area is projected to change. Health spending accounts for 34 per cent of devolved public spending in 2029-30, growing to

46 per cent in 2069-70.⁵³ The growth in health spending means most other areas of spending decline as a share. Social care's share of spending is broadly unchanged.

Figure 3.5: Shares of total devolved public spending, 2029-30 to 2069-70

Share of total spending (per cent)	2029-30	2039-40	2049-50	2059-60	2069-70
Health	34	37	40	43	46
Education	18	16	15	14	13
Social care	7	8	8	7	7
Social security	13	12	12	12	12
Other	28	27	25	24	23

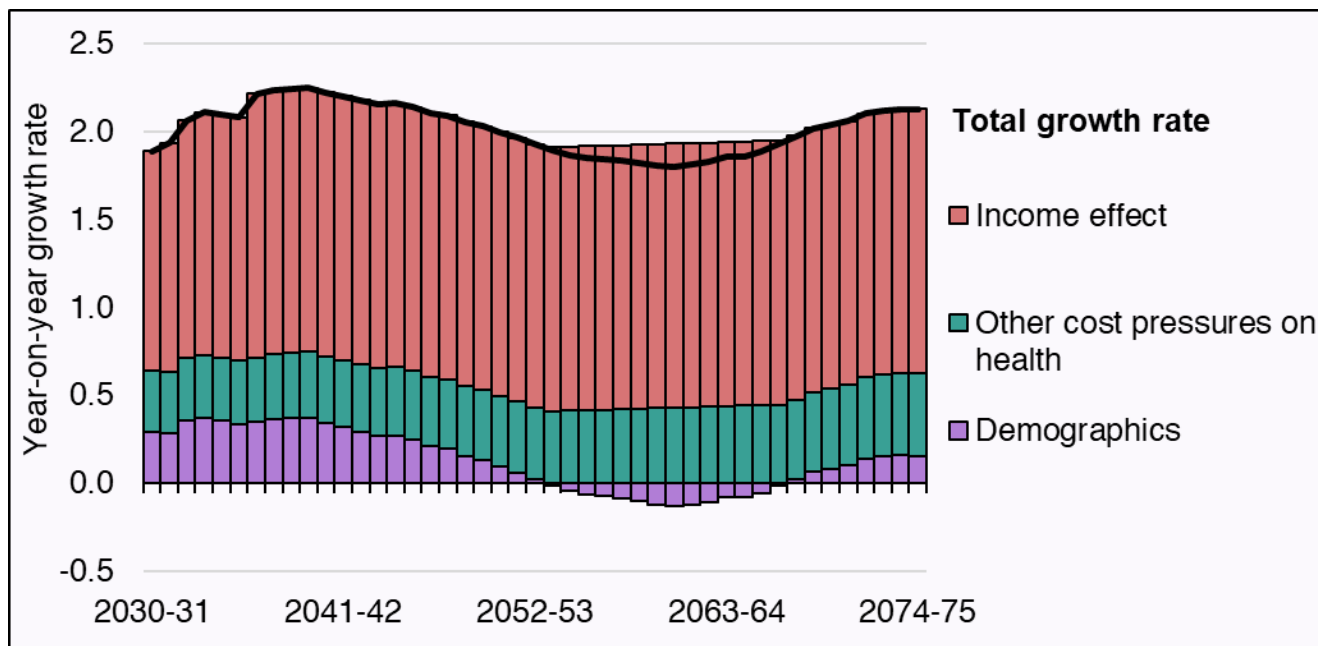
Source: Scottish Fiscal Commission.

3.23 Figure 3.6 shows the components of total spending growth. The income effect causes most of the growth in public spending. The income effect is our assumption that as the economy grows and people become wealthier, people have a higher expectation of public services. We apply this to our projections by growing demographic areas of spending with productivity and all other areas of spending with GDP. Additional to the income effect, other cost pressures in health mean health spending grows more quickly than in other areas. We explain the other cost pressures in health in [paragraph 4.28](#).

⁵³ Note our analysis focuses on health spending as a share of devolved public spending (which includes local authorities) rather than the Scottish Budget over the projection period. Elsewhere we have described health spending as accounting for 36 per cent of the Scottish Budget in 2025-26.

Figure 3.6: Projected growth in devolved public spending, 2030-31 to 2074-75

Income effect and other cost pressures in health contribute most to growth in public spending



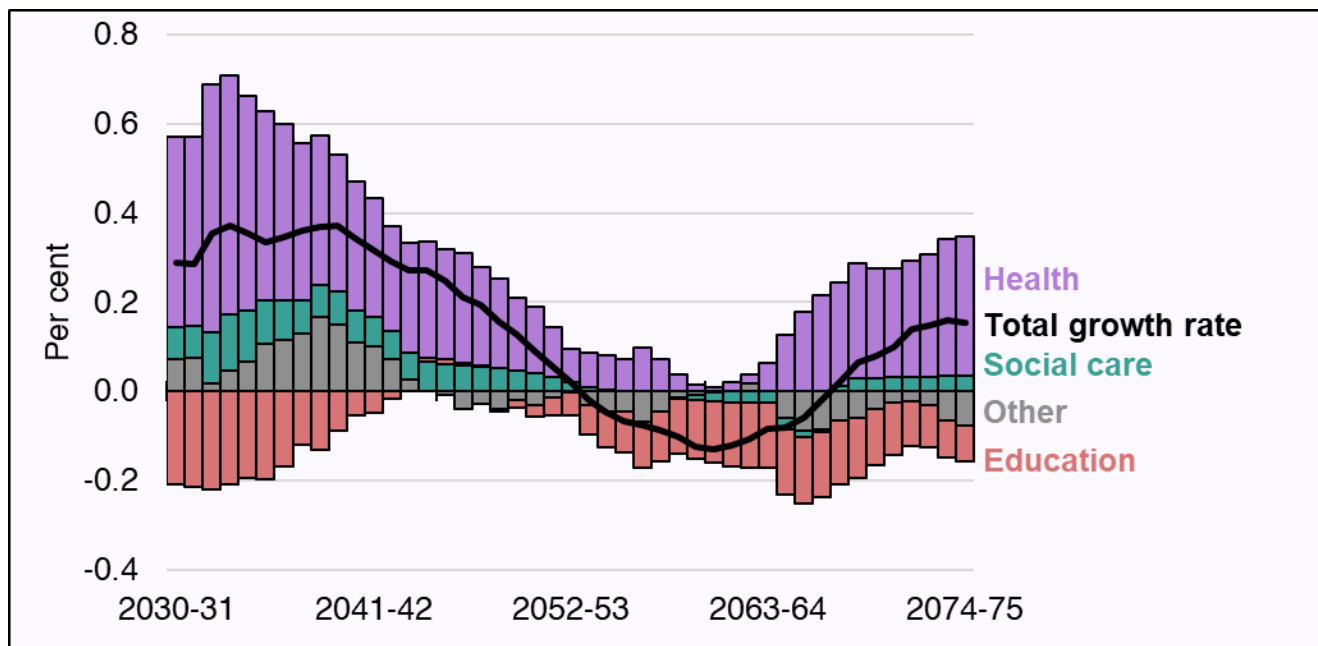
Description of Figure 3.6: Bar and line chart showing the growth factors in Scottish devolved public spending from 2030-31 to 2070-71. The income effect is projected to be the main cause of spending growth throughout the projection. Demographic growth is positive for the first twenty years of the projection, and averages zero from 2050-51 onwards.

Source: Scottish Fiscal Commission.

- 3.24 Because we assume the income effect and other cost pressures in health are the same in Scotland and the rest of the UK, it is differences in demographic growth between Scotland and the rest of the UK that influence the Scottish Government’s fiscal sustainability.
- 3.25 Figure 3.7 shows the effects of demographics on Scottish devolved spending in detail. Demographic growth in spending is 0.3 per cent per year on average up to 2049-50, and averages zero for the remainder of the projection to 2074-75.
- 3.26 The demographic growth in spending is caused by the ageing population in Scotland, particularly over the next twenty-five years. After 2050 the older age groups are not projected to grow as fast, the number of children falls and the Scottish population as a whole remains a constant size. These mean the contribution of demographic change to growth in devolved public spending is negative from 2053-54 to 2067-68. The contribution of demographic change to growth in public spending is positive from 2068-69, as the Scottish population ages from that year onwards.
- 3.27 Demographics are projected to increase health spending in all years, this slows in the 2050s as the Scottish population plateaus. The demographic growth in health spending is partially offset by decrease in education spending because of the projected fall in the number of children in Scotland, which makes the total demographic growth negative in the 2050s and 2060s.

Figure 3.7: Demographic growth in devolved public spending, 2030-31 to 2074-75

Demographic growth in health spending leads to growth over most of the projection



Description of Figure 3.7: Bar and line chart showing the demographic growth factors in Scottish devolved public spending from 2030-31 to 2070-71. Demographic growth in health spending is positive in all years of the projection, and contributes the majority of growth. This is partially offset by education, which makes a negative contribution to the growth rate in all years due to the falling number of children. Social care growth makes a positive contribution in most years, and other demographic growth (consisting of social security and labour market participation) is an average of zero per cent across the projection. The total growth rate is positive in most years, but turns negative between the 2050s and 2060s.

Source: Scottish Fiscal Commission.

The annual budget gap

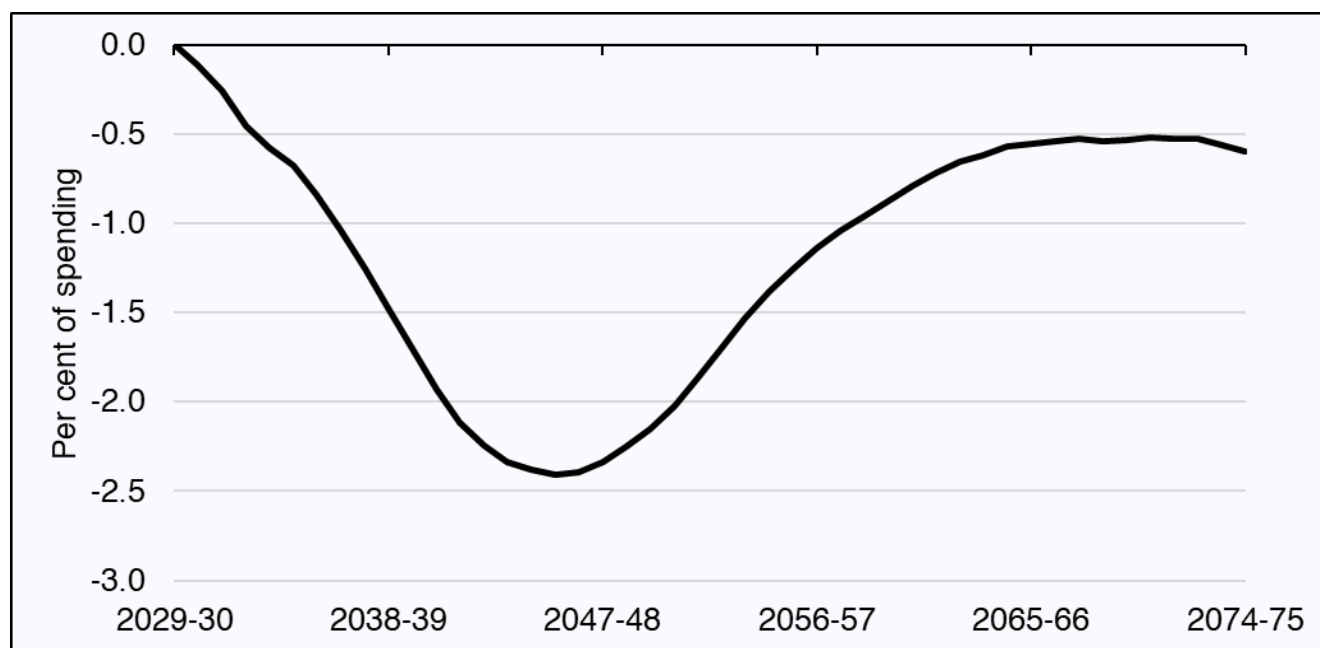
- 3.28 We measure the Scottish Government’s fiscal sustainability using the annual budget gap. The annual budget gap shows the difference between funding and spending in each year as a share of Scottish devolved public spending. A negative annual budget gap measures how much in spending cuts or tax rises would be required each year to balance the Scottish Budget.
- 3.29 We explain the fiscal framework in [Box 1](#). The Scottish Government has more control over its spending than its funding and it is required to run a broadly balanced budget. Because of this, we show the annual budget gap as a share of devolved public spending to illustrate the change needed to balance the Scottish Budget in each year.
- 3.30 We assume the Scottish Budget is balanced until 2029-30, in line with the fiscal framework. We allow for a Scottish deficit from 2030-31 onwards to project fiscal sustainability.
- 3.31 Figure 3.8 shows our projection of the annual budget gap. We project that, on average, Scottish devolved public spending would have to be reduced by 1.2 per cent each year compared to projected spending to balance the budget. This is equivalent to minus £1 billion in 2024-25 prices. This represents an average of 3.0 per cent of devolved

public spending on health in each year, or an average of 3.3 per cent of devolved income tax revenues.

- 3.32 The average annual budget gap is minus 1.5 per cent in the first twenty years (from 2030-31 to 2049-50), and minus 0.9 per cent in the second twenty-five years (from 2050-51 to 2074-75).⁵⁴ This is because demographic pressures in Scotland are greater than in the rest of the UK over the next twenty-five years.

Figure 3.8: Scottish Government annual budget gap, 2029-30 to 2074-75

Annual budget gap widens until 2045-46 and then narrows until 2064-65



Description of Figure 3.8: Line chart showing the baseline annual budget gap projection between 2029-30 and 2074-75. The annual budget gap is zero in 2029-30, and widens until 2045-46, when it reaches minus 2.4 per cent. It then narrows to minus 0.5 per cent in 2067-68. It grows slightly after that, and is minus 0.6 per cent in 2074-75.

Source: Scottish Fiscal Commission.

Causes of the annual budget gap

- 3.33 The annual budget gap is negative in all years of the projection. It widens until 2045-46, when it reaches minus 2.4 per cent. It then narrows to minus 0.5 per cent in 2067-68, after which it stabilises around minus 0.5 per cent for the remainder of the projection. These changes are caused by the changing size and structure of the populations in Scotland and the rest of the UK.

Widening gap in the next twenty-five years

- 3.34 Scotland experiences more population ageing relative to the rest of the UK over the next twenty-five years, as shown in [Figure 2.6](#). The Scottish share of the UK population aged 75 and over peaks in the 2030s, and Scotland's share of people aged 85 and over rises from 7.6 per cent in 2029-30 to 8.3 per cent in 2049-50. These age groups are

⁵⁴ In cash terms, the average annual budget gap is minus £1.3 billion in 2024-25 prices in the first twenty years, and minus £1.1 billion in 2024-25 prices in the second twenty-five years.

associated with the highest levels of spending on public services. Because the rest of the UK population does not experience the same growth in those age groups in the first twenty years of the projection, funding to the Scottish Government through the Block Grant is not growing as quickly as Scottish spending.

- 3.35 Over the same period, the Scottish share of the UK population aged 16 to 64 falls over the projection. Over the first twenty years, it falls from 7.7 per cent in 2029-30 to 7.4 per cent in 2049-50. As people aged 16 to 64 tend to use fewer public services than children and older people, and contribute more to devolved tax revenues, spending per person for this age group tends to be lower and revenue per person tends to be higher.
- 3.36 Because of the ageing population, the Scottish Government's spending is projected to grow more quickly than funding in the next twenty-five years. Total funding grows by 49 per cent, compared to a spending growth of 52 per cent. As a result, the annual budget gap becomes more negative up to the mid-2040s.

Gap in the second twenty-five years

- 3.37 The annual budget gap narrows between 2045-46 and 2067-68, when it stabilises around minus 0.5 per cent as the age structure of the UK as a whole becomes closer to that of Scotland.
- 3.38 The number of people aged 85 and over grows more quickly in the UK as a whole than in Scotland over the last twenty-five years of the projection. Between 2049-50 and 2074-75, the number of those aged 85 and over in the UK grows by 43 per cent, while in Scotland it grows by 25 per cent. The UK as a whole is catching up with the demographic ageing projected to have already occurred in Scotland, this is shown in [Figure 2.6](#).
- 3.39 As the rest of the UK ages, Scottish Government spending on health grows at a slower pace than health related Barnett consequentials. As funding then grows more quickly than spending, the annual budget gap decreases. The Scottish share of the UK population declines throughout the projection period and results in a more positive tax net position.
- 3.40 Taken together, these changes in the population in the last twenty five years of our projection narrow the annual budget gap to minus 0.6 per cent in 2074-75. Total devolved funding grows by 60 per cent between 2050-51 and 2074-75, while devolved spending grows by 58 per cent over the same period.

UK Government fiscal sustainability

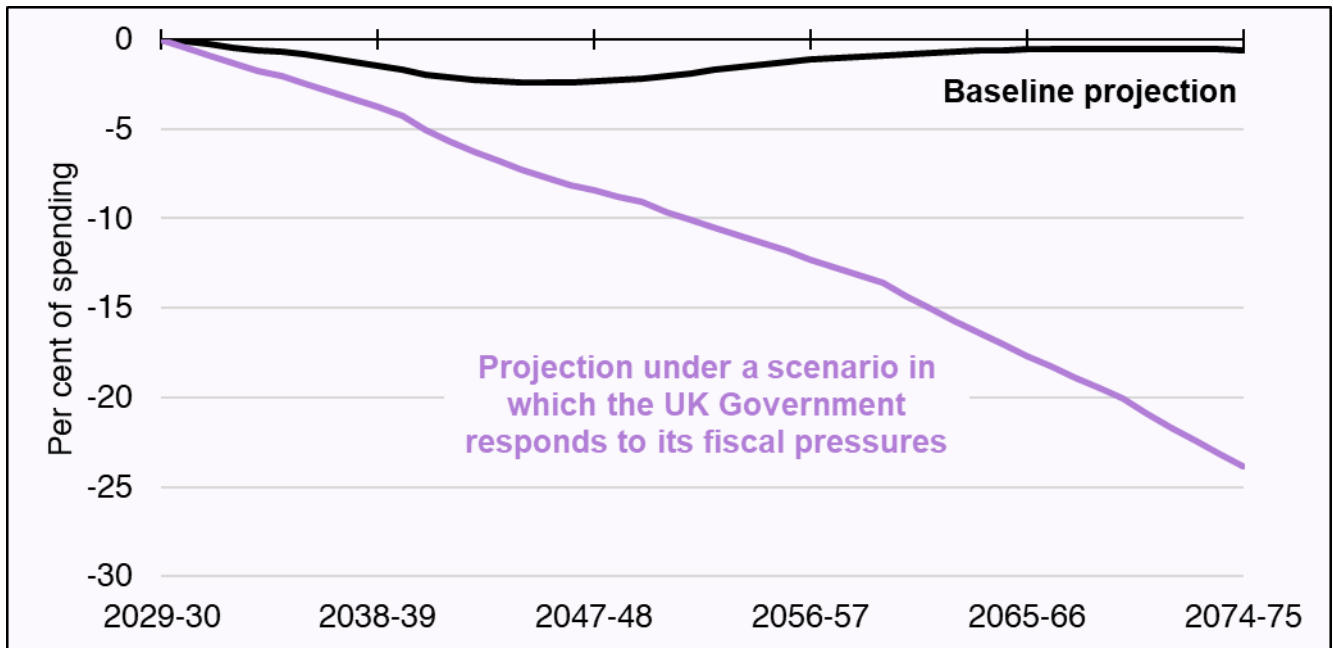
- 3.41 Our FSR focuses on the fiscal sustainability of the Scottish Government. The annual budget gap in Figure 3.9 can be thought of as the Scottish-specific fiscal sustainability challenge. This challenge must be thought of within the fiscal sustainability of the UK as a whole.
- 3.42 The OBR produces Fiscal risks and sustainability reports which assess the fiscal sustainability of the UK. In those reports, they project the UK debt stock and assess its sustainability. As Scottish and UK Government finances are interlinked, UK Government fiscal sustainability has implications for the Scottish Government.

- 3.43 In its September 2024 Fiscal risks and sustainability report, the OBR showed that the UK's public finances are not on a sustainable trajectory. Returning the UK Government's debt in 2073-74 to the levels seen in the 2010s before COVID-19 and energy shocks increased it in the 2020s would require an average reduction in the UK Government deficit of 1.5 per cent of UK GDP in each decade.⁵⁵ This adjustment would reach a debt-to-GDP ratio of 75 per cent in 2073-74. This could be achieved through reducing spending, increasing tax revenue, or a combination of both.
- 3.44 In our baseline projection, we assume that the UK Government meets any spending pressures in the rest of the UK through the Block Grant, and assume no tax policy changes. Future UK Governments may take action to address their fiscal sustainability through reducing spending or raising taxes in devolved or reserved areas. Because of the fiscal framework, this would have implications for Scottish Government fiscal sustainability.
- 3.45 We use the OBR's findings to show how a UK Government response to fiscal sustainability could affect Scottish Government funding. In our illustrative scenario, we assume that the UK Government closes the gap by raising more tax revenue and reducing spending in equal proportions. We further assume that both spending cuts and tax rises take place irrespective of whether they are devolved or reserved, in line with the revenue from each tax or department's spending as a share of total UK Government activity. If the UK Government were to focus more on devolved taxes or spending, then the annual budget gap could be larger.
- 3.46 We assume that the Scottish Government does not introduce any reduction in spending or tax rises in response to these policies so that we can measure the resulting annual budget gap.
- 3.47 Figure 3.9 shows that under these assumptions, the annual budget gap grows from an average of minus 1.2 per cent of spending each year to an average of minus 11.1 per cent each year. This equates to an average of minus £14 billion in 2024-25 prices.
- 3.48 This gap is equivalent to 31 per cent of the average devolved public spending on health in each year, or 40 per cent of average devolved income tax revenues.

⁵⁵ OBR (2024) [Fiscal risks and sustainability – September 2024](#)

Figure 3.9: Scottish Government's annual budget gap under UK fiscal consolidation, 2029-30 to 2074-75

Accounting for UK Government response to fiscal pressures, the gap grows in all years



Description of Figure 3.9: Line chart showing the baseline annual budget gap projection and the projection under a scenario in which the UK Government responds to fiscal pressures. The gap when the UK Government responds is wider in all years of the projection, and grows in every year.

Source: Scottish Fiscal Commission.

Chapter 4

Health Related Spending

Overview

- 4.1 Population health is a determinant of spending on healthcare, social care, and social security. Increasing ill health leads to further demands on spending which can put pressure on the fiscal sustainability of the Scottish Government. Population health also affects the economy, as it influences the size and productivity of the labour force and therefore affects tax revenues, which we explore in [Chapter 5](#). In [Chapter 1](#), we outline how the Scottish and UK Governments can influence the health of the Scottish population and the Scottish Government's funding arrangements. In this chapter, we discuss recent trends in the population health of Scotland and how it compares to the England, determinants of health spending, and our projections of healthcare, social care and disability related social security payments.

Recent trends in population health

- 4.2 In this section we present some important measures of population health in Scotland and compare these to England. We highlight the health challenges Scotland faces and its position relative to England. These challenges inform our health scenarios described in [Chapter 5](#), and have potential implications for the Scottish Budget.

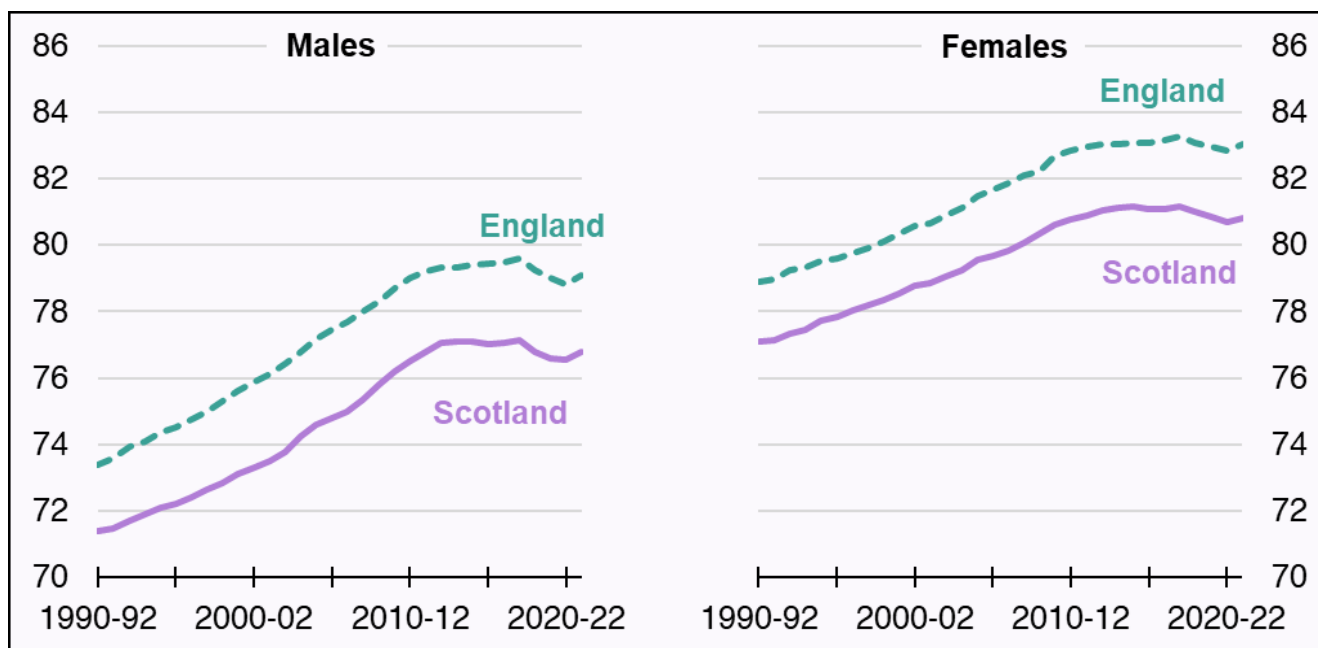
Life expectancy

- 4.3 Life expectancy in Scotland has increased over the long term. Life expectancy is a measure of the average time someone is expected to live, and is based on several factors including birth year and age.
- 4.4 Life expectancy at birth for females was 80.8 years in 2021-23, 3.7 years higher than it was in 1990-92. It was 76.8 years in 2021-23, 5.4 years higher than in 1990-92, for males.⁵⁶

⁵⁶ Life expectancy statistics are presented as three year averages. National Records of Scotland (2024) [Life Expectancy in Scotland 2021-2023](#).

Figure 4.1: Life expectancy at birth in Scotland and England by sex, 1990-92 to 2021-23

Life expectancy in Scotland rose until 2010-12 but remains lower than in England



Description of Figure 4.1: Two line charts showing life expectancy for Scotland and England from 1990-92 to 2021-23, for males and females separately. For the whole period, Scottish life expectancy is lower than England's for both sexes. Scottish and English life expectancy rises for both sexes until 2012-14 and is stagnant thereafter.

Source: Scottish Fiscal Commission, ONS (2025) [National life tables: Scotland](#), ONS (2024) [National life tables: England](#).

- 4.5 The increase in life expectancy between 1990 and 2010 has been caused by lower mortality rates at older ages.⁵⁷
- 4.6 Since 2012-14, the trend for life expectancy has been flattening in both Scotland and England. There is not a consensus of why the upward trend has flattened. There has been rising avoidable mortality, deaths that could have been prevented through public health measures or correctly timed care, in the UK and Scotland as well as rising disease burden which can affect life expectancy estimates. It may also be becoming more difficult to make gains in life expectancy given that significant progress has already been made in public health and healthcare, however other developed countries such as Japan continue to see improvements in life expectancy.⁵⁸
- 4.7 While the same trends in life expectancy can be seen in both England and Scotland, there is a persistent level difference between Scotland and England. Life expectancy in Scotland was lower than life expectancy in England by 2 years for both females and males in 2021-23.

Adult healthy life expectancy

- 4.8 Healthy life expectancy measures the average number of years a person could expect to live in good health (defined as being free from limiting illness or disability). In the UK,

⁵⁷ Health Foundation (2019) [Mortality and life expectancy trends in the UK](#)

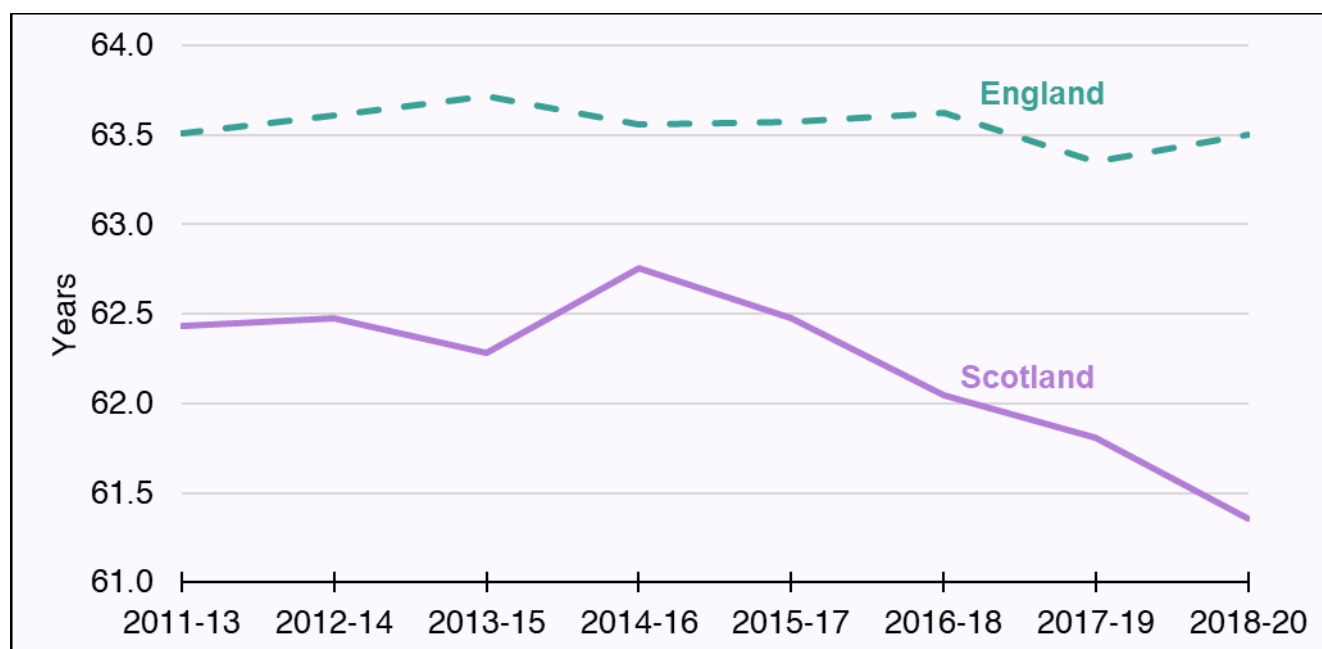
⁵⁸ Health Foundation (2019) [Mortality and life expectancy trends in the UK](#)

this measure is a combination of life expectancies and health prevalence data from the Annual Population Survey (APS).⁵⁹ The health prevalence data is based on a self-reported measure of individual health so captures how people feel about their health.

- 4.9 In Scotland, females have a higher healthy life expectancy than males. Male healthy life expectancy at birth in Scotland was 60.4 years in 2019-21 and for females it was 61.1 years.⁶⁰ There has been a decline in Scottish healthy life expectancy since 2014-16, falling by over one year for both males and females.
- 4.10 As Figure 4.2 shows, healthy life expectancy has consistently been at a lower level in Scotland than in England and has declined while healthy life expectancy in England has stagnated. This is also true of both males and females separately.

Figure 4.2: Average healthy life expectancy in Scotland and England, 2011 to 2020

Scottish healthy life expectancy fell by over a year while England's remained steady



Description of Figure 4.2: Line chart showing healthy life expectancy for Scotland and England from 2011-13 to 2018-20. Scottish life expectancy was persistently lower than England's in the whole period, and decreases from 2014-16 onwards, while England's remains steady, increasing the gap between them.

Source: Scottish Fiscal Commission, ONS (2022) [Health state life expectancies, UK: 2018 to 2020](#).

Values are calculated as an average of male and female life expectancies.

Mental illness

- 4.11 The rate of mental illness is increasing in Scotland and people with severe mental illness may live 15 to 20 years less than the overall population.⁶¹ People with mental

⁵⁹ ONS (2024) [Health state life expectancies, UK QMI: 2020 to 2022](#)

⁶⁰ National Records Scotland (2022) [Healthy Life Expectancy 2019-2021](#)

⁶¹ Scottish Government (2023) [Mental health and wellbeing strategy](#)

health conditions often also have physical health conditions.⁶² The rise in mental health conditions is captured across multiple indicators. In 2022, the Scottish Health Survey reported the lowest scores of mental wellbeing since records began in 2008, though there has been a slight increase in 2023. The survey also found the highest recorded number of adults reporting a psychiatric disorder, which increased from 17 per cent in 2019 to 21 per cent in 2023.⁶³

- 4.12 There has been a global shift in patterns of mental health and unhappiness. The decline in wellbeing and increase in mental illness has been especially pronounced in younger ages and, within the UK, has been more evident in Scotland.⁶⁴ Previously well-being declined until people reached middle-age, where it then improved, and this had been observed over time and across countries. This pattern has been replaced by wellbeing declining with age, with this being observed since 2011 and the COVID-19 pandemic exacerbating the trend for young people in the UK.⁶⁵

Health inequalities

- 4.13 In addition to health being worse in Scotland on average compared to England, health inequalities in Scotland are also more severe. People in the most deprived areas in Scotland can expect to die 12 years before people in the least deprived areas, and to have poor health 24 years earlier. Figure 4.3 shows the differences between the most- and least deprived deciles in terms of healthy life expectancy and life expectancy in Scotland and England in 2018-2020. The index of multiple deprivation in Scotland has some methodological differences which limits the comparability, however they are used in comparisons.⁶⁶ The difference between Scotland and England's gaps in the most and least deprived deciles was 3 years for life expectancy and 6 years for healthy life expectancy.

⁶² Faculty of Public Health (2025) [Relationship with physical health and healthy lifestyles](#)

⁶³ Scottish Government (2024) [The Scottish Health Survey 2023](#)

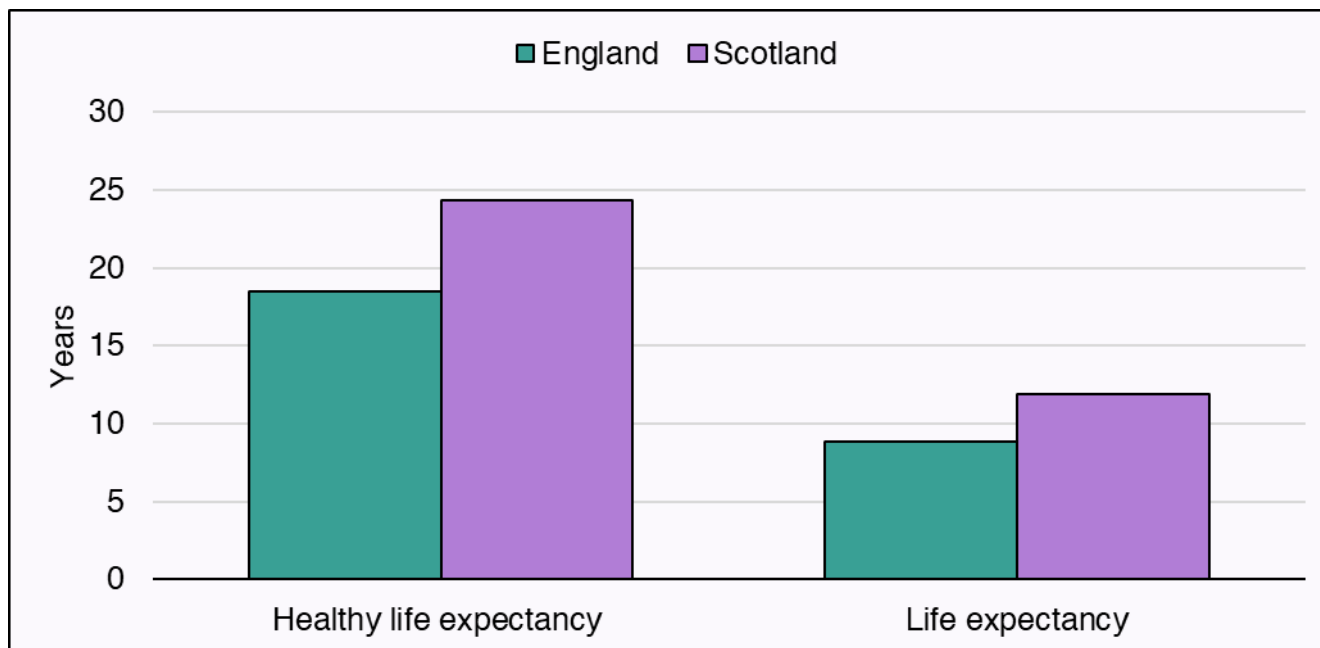
⁶⁴ Blanchflower, Bryson, and Bell (2024) The Declining Mental Health of the Young in the UK. No. w32879. National Bureau of Economic Research, 2024

⁶⁵ Blanchflower, Bryson and XU (April 2024) [The declining mental health of the young and the global disappearance of the hump shape in age in unhappiness](#)

⁶⁶ Health Foundation (2025) [Inequalities in life expectancy and healthy life expectancy](#)

Figure 4.3: Deprivation health gap, England and Scotland, 2018-2020

Health gap between the most and least deprived in Scotland is larger than in England



Description of Figure 4.3: Column chart showing the deprivation-related gap in life expectancy and healthy life expectancy for England and Scotland. There is a gap for both nations and in both metrics, but Scotland's is higher, especially for healthy life expectancy.

Source: Scottish Fiscal Commission, National Records of Scotland (2022) [Healthy Life Expectancy in Scotland 2019-2021](#), ONS (2022) Health State Life Expectancies 2018-2020.

Values are calculated as an average of male and female life expectancies.

4.14 The declining trend in population health seen in Scotland is also present in England, though the health of the Scottish population is generally lower than that of England. How much this leads to pressures on health related spending depends on policy and the provision of care. This would imply a need for greater provision of care in Scotland to cover the same access to treatments and care. Alternatively it indicates a greater need to improve the health of the Scottish population and lessen health inequalities through addressing the determinants of ill health. The worse health of the Scottish population could indicate a greater need for spending in Scotland and have implications for labour participation and the Scottish economy. We explore the effect of changing population health in [Chapter 5](#).

Spending

Recent trends in health spending

4.15 Spending on health is the biggest share of the Scottish Budget. In the 2025-26 Scottish Budget, health spending accounted for 36 per cent of the budget.⁶⁷ Health spending has increased by 21 per cent in real terms between 2013-14 and 2022-23.⁶⁸

⁶⁷ Scottish Fiscal Commission (2024) [Scotland's Economic and Fiscal Forecasts – December 2024](#)

⁶⁸ Audit Scotland (2024) [NHS in Scotland 2023](#)

- 4.16 Health spending per person in Scotland is higher than in England.⁶⁹ However, this gap has fallen substantially over time. Between 1999-2000 and 2019-20, the difference between spending per person in Scotland and England has narrowed from 22 per cent more in Scotland to 3 per cent more.⁷⁰

Healthcare delivery in Scotland

- 4.17 Key indicators of healthcare delivery in Scotland have worsened in the past few years while spending and staffing are at the highest levels recorded.⁷¹ In a recent report the Institute of Fiscal Studies conclude that key performance indicators were below pre-pandemic levels and some have worsened over 2023-24. The six performance indicators used by the Institute of Fiscal Studies include the size of the elective care waiting list, the per cent of waits for elective care over one year and the per cent of patients waiting more than 4 hours at A&E.
- 4.18 Hospital activity is the best available indicator of NHS activity and captures the number of day cases, elective inpatients, emergency inpatients, and outpatients.⁷² The activity level of hospitals in Scotland has not returned to pre-pandemic levels. This means that the NHS in Scotland has more inputs (through staff) and less output (through admissions). A similar trend has emerged in England, with more staff and less output. However, the fall in output is lower and is explained by substantially higher increase in NHS England staffing particularly consultants, junior doctors and nurses, relative to Scotland.⁷³
- 4.19 As well as reduced activity and productivity, service delivery has been poorer over time. We focus on two indicators, however similar trends have been seen in several others including the size of the elective waitlist, and diagnostic testing time. Figure 4.4 shows two key performance indicators of the NHS, the share of Accident and Emergency admissions seen that are discharged, admitted or transferred within four hours and the share of referrals who are treated within eighteen weeks. The target for eighteen weeks to treatment is 90 per cent, in February 2023 this was 65 per cent.⁷⁴

⁶⁹ HM Treasury (2024) [Country and regional analysis: 2024](#)

⁷⁰ Institute for Fiscal Studies (2024) [Scottish Budget: Healthcare spending, staffing and activity: Scottish Budget 2024-25](#)

⁷¹ Institute for Fiscal Studies (2024) [Scottish Budget 2025-26: NHS Recovery in Scotland is lagging behind England's](#)

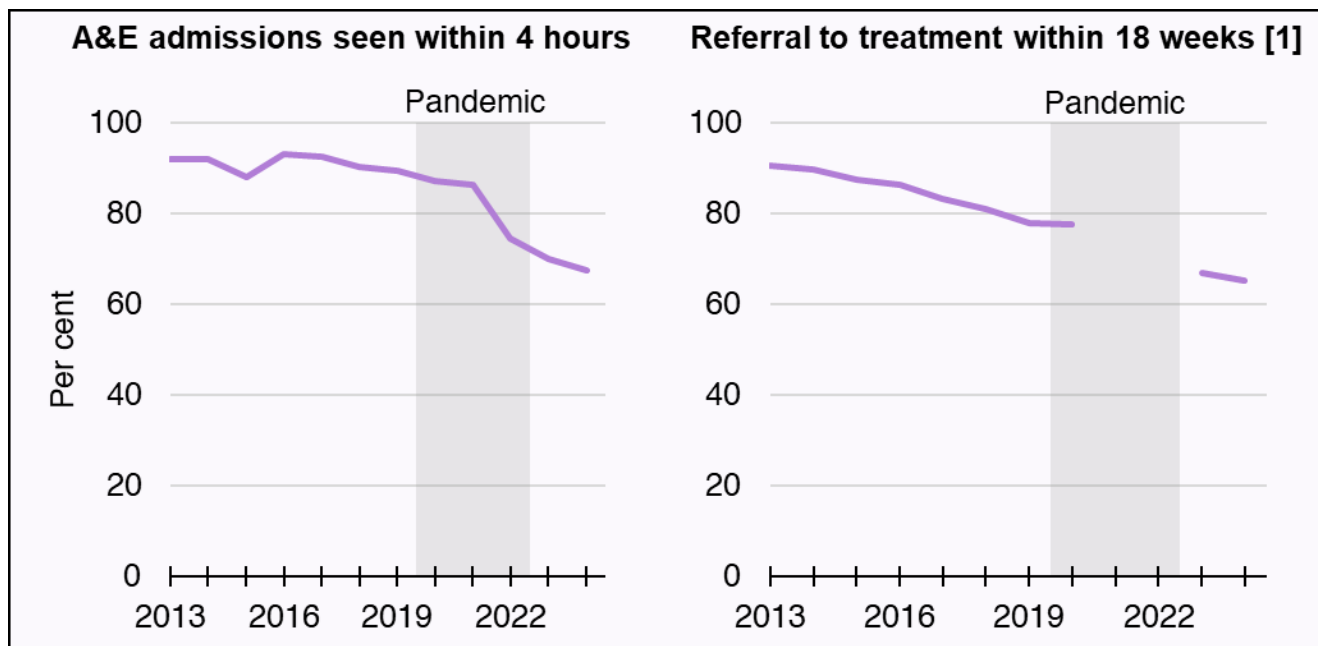
⁷² Audit Scotland (2024) [NHS in Scotland 2024](#)

⁷³ Institute for Fiscal Studies (2024) [Scottish Budget 2024-25: Healthcare spending, staffing and activity](#)

⁷⁴ Public Health Scotland (2024) [NHS waiting times – 18 weeks referral to treatment](#)

Figure 4.4: NHS Scotland performance indicators, 2013 to 2024

Service delivery has been falling and is below pre-pandemic levels



Description of Figure 4.4: Two side by line charts showing the evolution in two performance indicators, A&E admissions within four hours, and admission waits within eighteen weeks. Both have been falling steadily since 2013, with the pandemic leading to a temporary uptick in A&E performance and a more sudden fall in elective procedures performance. Since then, both have stabilised but at levels below the pre-pandemic period, and much lower than in 2013.

Source: Scottish Fiscal Commission, Public Health Scotland (2024) [Accident and emergency](#), Public Health Scotland (2024) [NHS waiting times – 18 weeks referral to treatment](#).

Note: All observations are from February in the respective year

[1] Missing data from PHS for 2021 and 2022

Determinants of health spending

Overview of how healthcare spending is projected to grow

4.20 Long-term growth in health spending is not unique to Scotland. There are a range of different causes of the growth in health spending over the long term which can be seen worldwide.⁷⁵ This section explains the assumptions that we use in our projection of resource healthcare spending that follow internationally observed trends in health spending. We describe how we assume that demographics, the income effect, and other cost pressures on health result in spending growth.

- **Demographics** – Growth in health spending due to demographic change refers to how the population size and age structure affects spend as health spending tends to be higher in older ages. These demographic changes can mean more spending is needed to maintain the same level of access. Life expectancy changes over the projection also affect this. For every year gained in life expectancy we assume there is half a year gain in healthy life expectancy.

⁷⁵ OBR (2024) [Fiscal risks and sustainability report – September 2024](#)

- **Income effect** – As the economy grows and people become wealthier, people have a higher expectation of public services in all areas. For health, this higher expectation means greater spending on staff levels, wages, and treatments putting upward pressure on health spending.
- **Other cost pressures on health** – These cover three areas and contribute 1 per cent annual growth in health spending a year, consistent with the OBR’s assumption on these factors for the UK.⁷⁶ First is the Baumol effect, healthcare is a labour-intensive sector where efficiencies are harder to achieve than in the wider economy but wages in the sector generally still grow with wages in the wider economy. Second, there is increasing non-age-related prevalence of long-term conditions. Third, technological advancements can lead to higher spending through the discovery and expansion of treatments.

4.21 The following sections describe these effects in more detail before presenting our projection of health spending through to 2074-75. Our baseline health spending scenario shown here is not presented as a most likely scenario. It does not capture emerging risks such as recent health trends with stalling life expectancy and worsening healthy life expectancy in Scotland or how climate change may impact health. The baseline projection also does not capture the potential interventions to address these.

Demographics

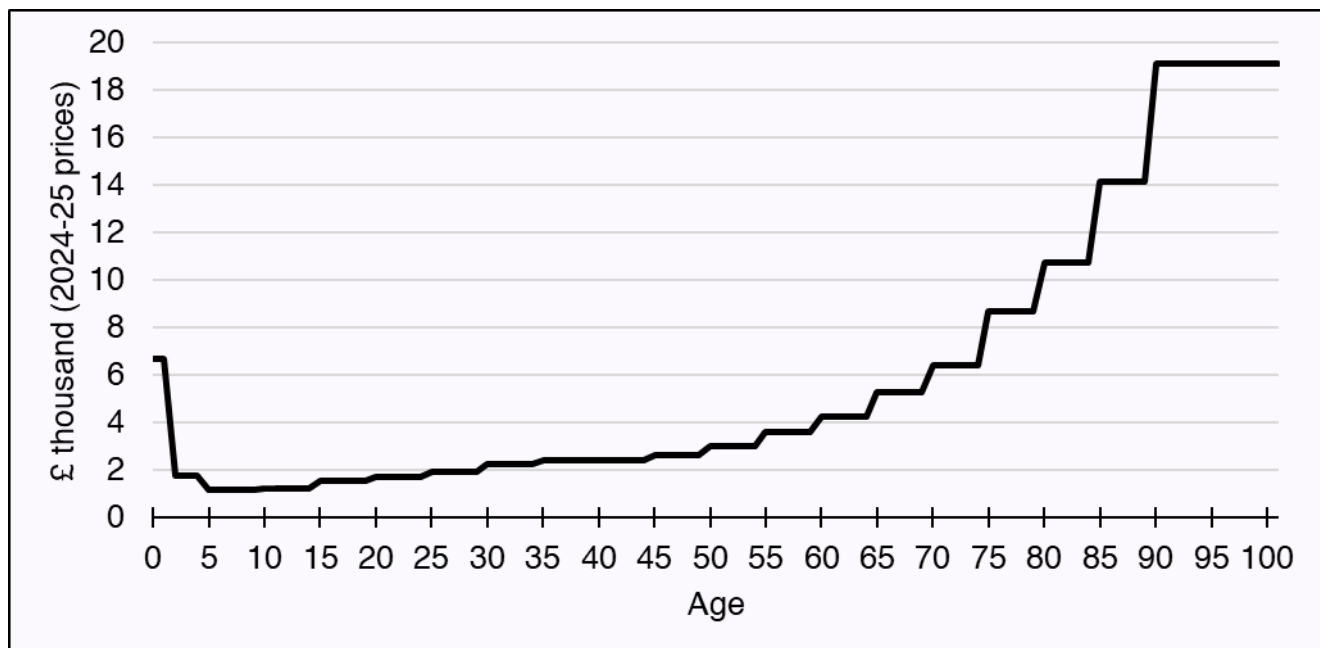
4.22 The growing population means more spending is needed to cover the same health care access. Beyond childhood and maternity care, healthcare spending tends to increase with age. As the average age in Scotland increases there will be more need for spending to meet of demand for healthcare, assuming age-related need remains the same in the future.

4.23 To estimate the effect of the changing population in our projection of health spending we use age-sex spending profiles. These age-sex spending profiles are estimates of the health spending per age, split for males and females. We use separate profiles for Scotland and England. Scotland’s profiles are largely informed by the Public Health Scotland data used in the National Resource Allocation formula (NRAC) which informs the distribution of funding between territorial health boards. England’s profiles are based on the age-sex spending profiles produced by the OBR, based on NHS England data. We use the distribution of spending in the profiles to estimate the level of health spending for each age and sex at the end of our five-year forecasts in 2029-30. Figure 4.5 shows our resource health spending profile and that there is higher spend on older ages in Scotland.

⁷⁶ OBR (2024) [Fiscal risks and sustainability report – September 2024](#)

Figure 4.5: Resource health spending by age in Scotland, 2029-30

Other than for children under five, health spending increases with age



Description of Figure 4.5: Line graph showing the profile of health spending costs by age group. There is relatively high health spending for babies and children under five, but this falls quickly after and grows only slightly along the age distribution. From 50 onwards, health spending increases by larger amounts for each age group.

Source: Scottish Fiscal Commission, Public Health Scotland, NHS (2024) [Scottish Statement of Financial Entitlements 2024-25](#), OBR (2024) [Fiscal risks and sustainability – September 2024](#).

For this figure we have taken an average of spending between males and females.

4.24 We see growth in the baseline projection of life expectancy and assume half of these gains are lived in good health. For the age-sex spending profiles of people aged 45 and older, we assume that with every two-year gain in life expectancy there is a one year decrease in age-related spending. There is conflicting evidence suggesting that gains in life expectancy will be spent in good health and that it will be spent in bad health. The ONS suggests that the proportion of life expectancy around age 65 spent in good health is between 50 and 58 per cent.⁷⁷ We apply this assumption to the English and Scottish profiles in our projections, meaning the same assumption about healthy life expectancy is applied to both UK Government spending, which affects our funding projections, and Scottish Government spending.

Income effect

4.25 As the economy grows and people become wealthier, they have a higher expectation of the level of public services. We call this the income effect and it puts pressure on spending to meet this higher expectation of delivery.

4.26 Achieving greater provision in delivery of health care means greater spending on staff levels, wages of staff, and different treatments. This increase in demand puts upward pressure on health spending.

⁷⁷ OBR (2024) [Fiscal risks and sustainability report – September 2024](#)

4.27 The relationship between increasing incomes and higher spending on healthcare is seen globally.⁷⁸ In its September 2024 Fiscal risks and sustainability report, the OBR illustrates this relationship by showing how health spending as a share of GDP across 19 advanced economies was on an upward trajectory from the early 1990s to around 2010, when it plateaued until the COVID-19 pandemic.⁷⁹ In our projection we assume that demand for healthcare rises in line with earnings. We project earnings to grow by an average of 1.5 per cent per year in real terms.

Other cost pressures on health

4.28 Healthcare spending also increases as a result of other cost pressures in healthcare.⁸⁰ We include three cost pressures in our projection that have a combined effect of 1 per cent annual growth in spending. These are:

- **Baumol effect** – Healthcare is a labour-intensive sector where efficiencies are harder to achieve than in the wider economy, however wages in the sector generally grow with wages in the wider economy to stay competitive and retain staff. This is referred to as the Baumol effect and is the largest share of the 1 per cent annual growth rate attributable to other healthcare cost pressures. In line with OBR assumptions on cost pressures in health, we assume that the Baumol effect accounts for 0.72 percentage points of the 1 per cent growth rate. This represents productivity improvements in healthcare tending to be lower than other sectors.
- **Long-term conditions** – The rise in chronic conditions beyond that which we would expect from increased ageing results in additional demand and higher spending on services. This has been documented internationally.^{81,82} This element of other cost pressures accounts for 0.15 percentage points of the 1 per cent growth rate.
- **Technology** – The remaining 0.13 percentage points captures the effect of technological advancements on healthcare costs. Developments in medical devices, techniques, and procedures tend to push up costs, or where costs are reduced, can result in the expansion of treatments.

Health spending projection

4.29 As outlined above, we use demographics, the income effect, and other cost pressures to project devolved health spending. We project an average of 3 per cent real terms growth in health spending each year. As discussed in [Chapter 3](#), health spending increases from 34 per cent of devolved public spending in 2029-30 to 47 per cent in 2074-75.

⁷⁸ Baltagi, B et al (2016) Health Economics, Volume 26, Issue 7. [Health Care Expenditure and Income: A Global Perspective](#).

⁷⁹ OBR (2024) [Fiscal risks and sustainability report – September 2024](#)

⁸⁰ OBR (2024) [Fiscal risks and sustainability report – September 2024](#) and OECD (2024), ; European Commission (2024), [2024 Ageing Report: Economic and budgetary projections for the EU Member States \(2022-2070\)](#).

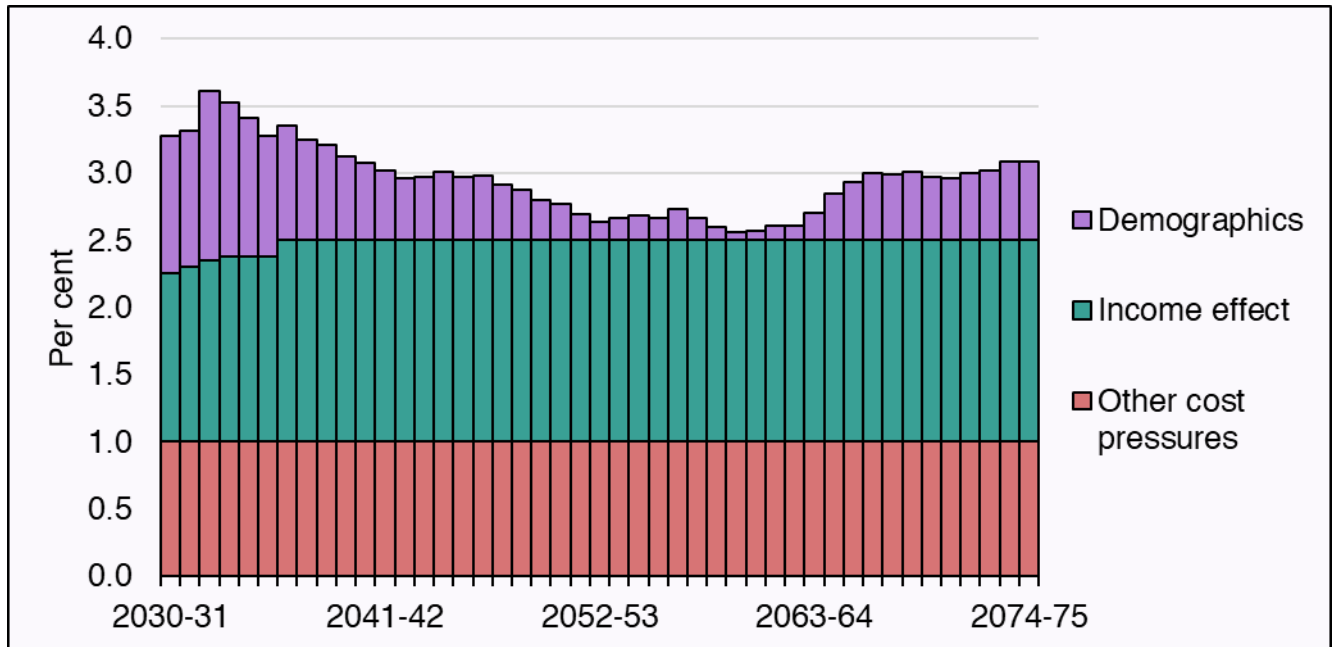
⁸¹ The Health Foundation (2023) [Health in 2040: projected patterns of illness in England](#)

⁸² Institute for Fiscal Studies (2018) [Securing the future: funding health and social care to the 2030s](#)

Health spending rises in 2024-25 prices from £22 billion in 2029-30 to £76 billion by 2074-75.

Figure 4.6: Components of resource health spending growth in Scotland, 2030-31 to 2074-75

Demographics add to health spending growth, but they are not the main cost pressure



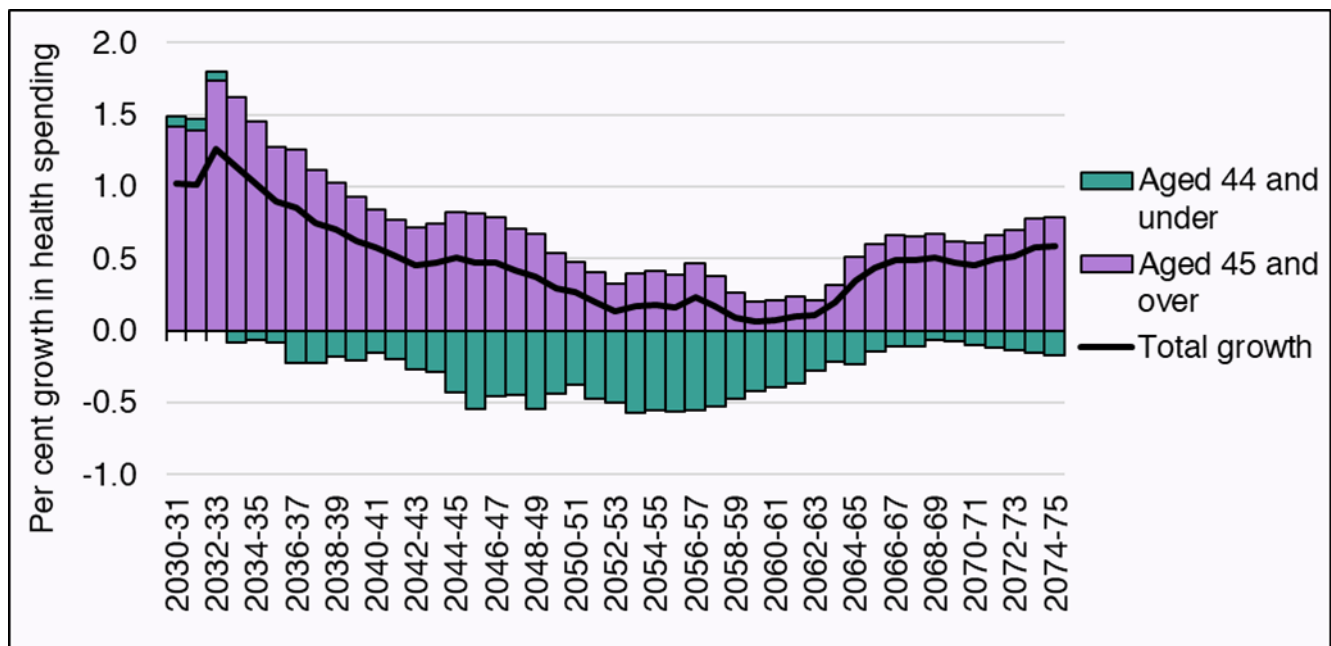
Description of Figure 4.6: Column chart showing the components of health spending growth: demographics, the income effect, and other cost pressures. The income effect and other cost pressures are flat throughout the projection except a small increase in the income effect in the early 2030s. Together they make up most of the spending growth. Demographics also adds spending pressure, especially in the early years.

Source: Scottish Fiscal Commission.

4.30 Health spending grows by 238 per cent between 2029-30 and 2074-75. Figure 4.6 shows that the growth in spending is mostly caused by the income effect and other cost pressures, although we assume that these will be equal in Scotland and the rest of the UK. Meanwhile, demographic pressures will be different due to the current size and age structures of the Scottish and rest-of-the-UK populations. The differences in demographic pressures between Scotland and the rest of the UK could cause pressure on the Scottish Budget.

Figure 4.7: Components of demographic health spending growth in Scotland, 2030-31 to 2074-75

Health spending increases because of increases in the population aged 45 and over



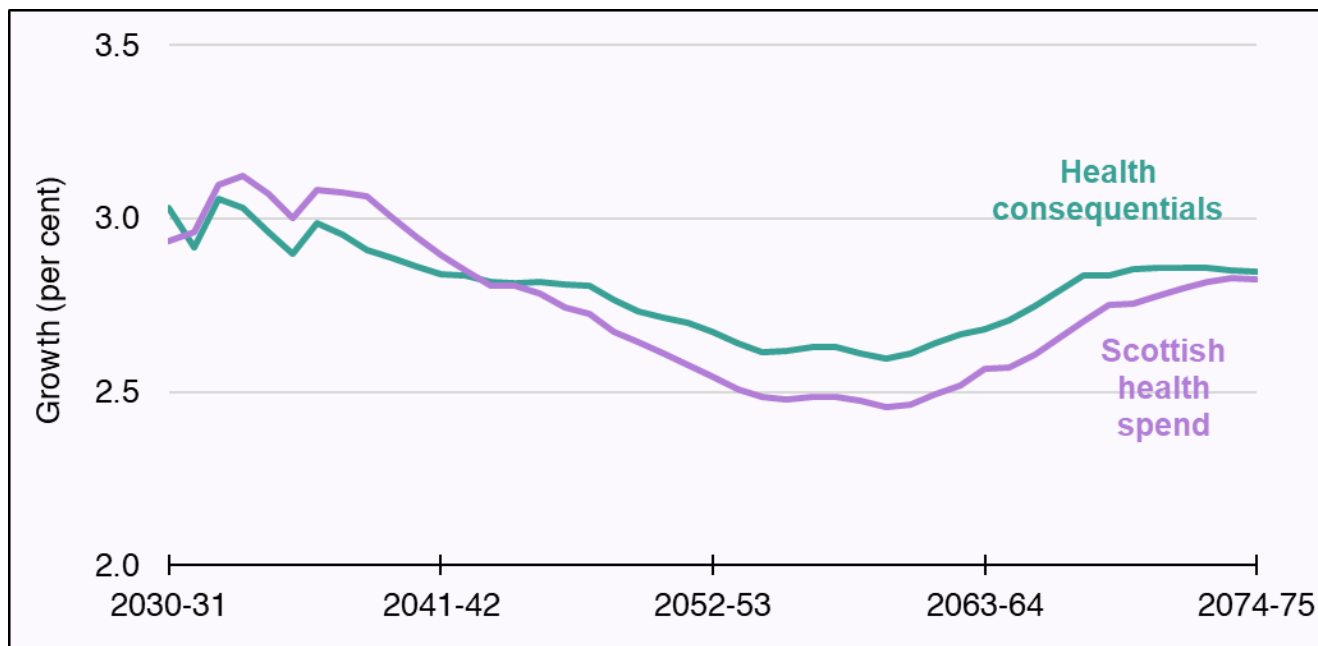
Description of Figure 4.7: Column chart showing the two components of demographic spending growth by age group: aged 44 and under and aged 45 and over. People aged 45 and over increase health spending growth, especially in the first twenty-five years of the projection. In contrast, aged 44 and under partially offset this pressure throughout the projection, but not enough to result in a negative growth rate in health spending.

Source: Scottish Fiscal Commission.

- 4.31 Demographic growth averages 0.7 per cent a year until 2049-50. From then until the end of the projection period in 2074-75, yearly demographic growth averages 0.3 per cent. This reflects the changing age composition, and the growth and plateau of the Scottish population, described in [Chapter 2](#). Figure 4.7 shows that spending on people aged 45 and over, particularly in the earlier years of the projection, increases health spending while the decline in spending on people aged 44 and under lowers projected growth.
- 4.32 An ageing population compared to England may result in greater health spending in Scotland than England. In our projection, health spending per person grows by 231 per cent in Scotland from £3,955 to £13,098 while in England it grows by 239 per cent from £3,898 to £13,199 from 2029-30 to 2074-75 in 2024-25 prices.
- 4.33 Figure 4.8 shows the health consequentials the Scottish Government will receive alongside Scottish Government health spending. Health consequentials are the additions to Block Grant funding the Scottish Government receives based on changes in health spending in England and adjusted for Scotland’s population share. Scottish Government health spending grows faster than the health consequentials up to the mid-2040s. This then switches with health consequentials being larger than projected growth in Scottish Government health spending until the end of the projection where the gap between them narrows. This implies a pressure on the Scottish Budget as spending growth will differ to equivalent funding from health consequentials.

Figure 4.8: Total health spending and related consequentials growth, Scotland, 2030-31 to 2074-75

Until the 2040s, health spending in Scotland to grow faster than health related funding



Description of Figure 4.8: Line chart showing growth in Scottish health spending and growth in the Block Grant from health related Barnett consequentials. Scottish health spend is projected to grow faster than health consequentials until the mid-2040s. From then on, health consequentials are larger than the growth in health spending, with a maximum surplus of around 0.15 percentage points. Both converge by the end of the projection.

Source: Scottish Fiscal Commission.

4.34 The growth in health spending shown in our projections is likely to be unsustainable. Delivering an increase in health spending of this scale while balancing the budget would likely mean a reduction in other areas of spending or increased tax revenues. It also implies a large rise in the amount of health care provided and therefore also in the workforce required to deliver that. Recent experience suggests this may be difficult to deliver in practice. Audit Scotland has noted that fewer patients are being seen since COVID-19. Despite increased funding and staffing levels and initiatives to improve productivity and outcomes for patients, these are not yet making progress. Audit Scotland also note that the gap between capacity and demand is unlikely to be closed through performance improvements without also transforming services and models of care focused on prevention.⁸³ This further emphasises the need for reform given the ageing population will be placing greater demands on the health service.

Social care spending

4.35 Social care covers all forms of personal care and practical assistance in completing day-to-day activities, supporting people to live as independently as possible.⁸⁴ There are a range of services included in social care such as supported living and care homes, assistance at home with activities such as getting dressed, and services to adapt individuals' homes to help make day-to-day life easier. Health and social care are

⁸³ Audit Scotland (2024) [NHS in Scotland 2024: Finance and performance](#)

⁸⁴ Scottish Government (2024) [Social Care](#)

interlinked. The health of the population can affect the need for social care, and social care can influence other health related spending such as disability payments and healthcare costs.

- 4.36 Social care is devolved and delivery of social care is the responsibility of local authorities (LAs). The eligibility criteria can vary across LAs but must be compatible with the national eligibility framework, which was agreed between the Scottish Government and Convention of Scottish Local Authorities (COSLA) in 2009. In Scotland, free personal care and nursing care is available to all adults who have been assessed as eligible by their LA. All other care in Scotland is means-tested and people with assets above £35,000 do not receive financial support.
- 4.37 Social care can fall into three main categories: (i) care provided by the state, (ii) unpaid care – often provided by family members – and (iii) paid private care. There are also unmet care needs a result of needing social care and not receiving it, or receiving insufficient social care.⁸⁵ If provision was increased to it would likely result in increased social care spending.
- 4.38 Across LAs the demand and provision of social care varies. Older people are more likely to need support with over three quarters of people supported by social care services being aged 65 and over. Areas with more deprivation and lower healthy life expectancy are also more likely have greater social care demands.⁸⁶ Across Scotland there has been an upwards trend in several social care measures. This change in provision has varied across LAs.⁸⁷ There is also evidence to suggest that the variation in free personal care provision cannot be fully explained by variation in need, suggesting that where a person lives influences how much care they might receive.⁸⁸ Differences such as these mean rising demand for social care may not be felt equally across LAs.
- 4.39 We project social care spending based on current levels of provision. We project that social care accounts for 7 per cent of devolved public spending throughout the projection. In real terms, we project social care spending to increase from £5 billion in 2029-30 to £11 billion in 2074-75.
- 4.40 We have used data from Public Health Scotland which reflects the number of people grouped into ages 18 to 64, 65 to 74, 75 to 84, and aged 85 and older receiving social care in Scotland.
- 4.41 Our approach in our 2023 FSR only distinguished between people aged 18 to 64 and 65 and over, so the effect of population ageing on social care spending is better captured in this latest projection. We grow adult social care with demographics and the income effect as described above. The average growth in adult social care spending is 2.0 per cent over the projection. Average growth is 2.4 per cent up to 2049-50 and 1.6 per cent thereafter. Figure 4.9 shows how demographics influence our projection of

⁸⁵ Brunner & Zarkou (2023) [How should we think about “unmet need” in social care?](#)

⁸⁶ Scottish Government (2022) [National Care Service- people who access adult social care and unpaid carers](#)

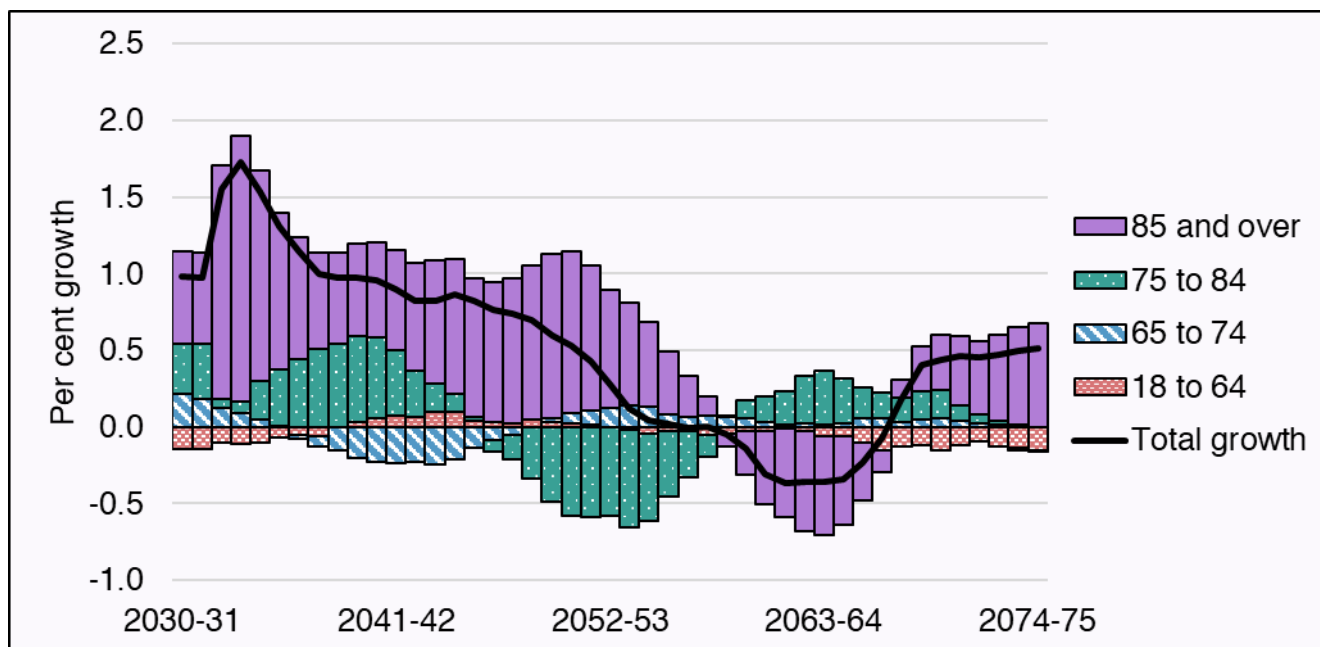
⁸⁷ Scottishcare (2015) [Home Delivery A Profile of the Care at Home Sector in Scotland 2015](#)

⁸⁸ Centre for Population Health (2019) [Variations in domiciliary free personal care across Scottish Local Authorities](#)

adult social care spending. This largely reflects the changing share of the population aged 85 and over.

Figure 4.9: Demographic social care spending by age in Scotland, 2030-31 to 2074-75

People aged 85 and over increase social care costs throughout the projection except in the 2060s



Description of Figure 4.9: Column chart showing the age breakdown of demographic adult social care spending growth in Scotland. Up to the early 2060s the age group aged over 85 lead most of the demographic growth in social care spending, followed by the 75-to-84s in the first two decades of the projection. People of working age and 65-to-74s have a marginal contribution to growth.

Source: Scottish Fiscal Commission.

4.42 When we project social care spending, we are projecting forward current provision levels of state provided social care. Any changes to provision will affect the level of spending in the future. We do not capture unpaid and private care. Any changes in private and unpaid care, as well as the provision of state social care will also affect the level of spending on social care with consequences for the Scottish Government’s fiscal sustainability. An ageing population means a higher number of people being eligible under the current criteria and requiring more care and thus more public spending. If the level of provision remains the same, there might also be a rise in unpaid carers which can also have fiscal implications, for example, through labour market participation.

4.43 In 2022 there were an estimated 627,700 unpaid carers in Scotland, an increase of 27.5 per cent since 2011.⁸⁹ The increase in unpaid carers has been greatest in the 50 to 64 age group, which is the group most likely to have parents in the oldest age groups who need care. This is also the same age group that has seen the large increase in reporting of a health problem or disability which limits day-to-day activities between 2011 to 2022. This may pose a fiscal risk in the future in that the age-group carrying out the most unpaid care may not be able to do so because of their own activity-limiting health problems. A further risk that we project over the next fifty years is that the size of the 50 to 64 age group is projected to decrease as a share of the

⁸⁹ Scotland’s Census (2024) [Scotland’s Census 2022 – Health, disability and unpaid care](#)

Scottish population, whilst the aged 85 and over share increases from 2.4 per cent in 2024 to 6.3 per cent in 2075. The 16 to 64 age group overall is declining as a share of population. This implies that there will be large growth in people needing care, and the pool of potential unpaid carers will be shrinking.

Disability payment spending

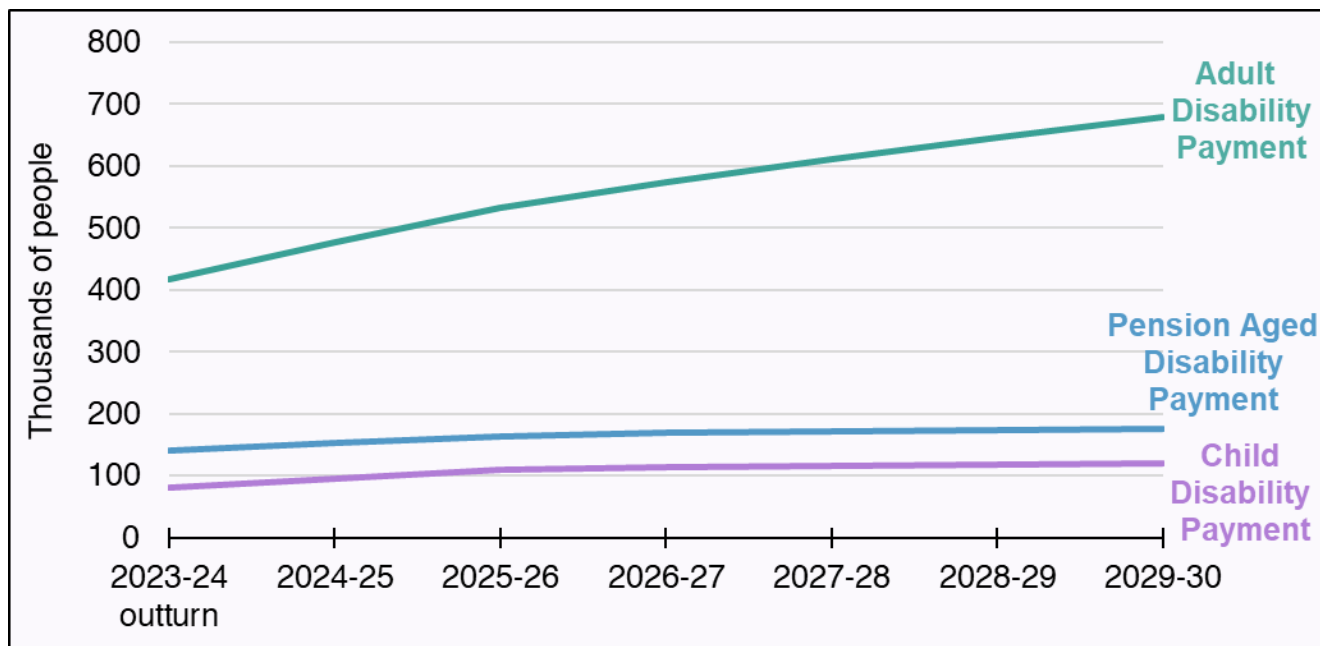
- 4.44 Disability payments were devolved to the Scottish Government, as part of the Scotland Act 2016, with the transfer of power over disability payments taking place in April 2020.
- 4.45 Since the devolution of the payments, the Scottish Government has started replacing the UK payments administered by the Department for Work and Pensions (DWP) with payments administered by Social Security Scotland. The Scottish Government have now launched Scottish replacements for the main disability payments for all age groups.
- 4.46 These payments are funded directly from the Scottish Budget. The Scottish Government receives a Block Grant Adjustment based on spending in the year before the payment was devolved. This grown over time in line with how the equivalent payments have grown in England and Wales and factoring changes to population size.
- 4.47 Disability payments differ from the other areas of health related spending such as healthcare or social care. Disability payments set a level of eligibility and if this is reached then everyone who applies receives the payment. This means that the payments are difficult to restrict if demand increases, unless the eligibility rules are changed.
- 4.48 There has been a long-term increase in the number of people claiming disability payments in both Scotland and the rest of the UK. The increase has been particularly high post-COVID-19. The trends in self-reported disability prevalence reflect a similar increase. Disability prevalence has risen from 19 per cent of the UK population in 2002-03 to 27 per cent of the population by 2022-23.⁹⁰
- 4.49 These elements are factored into our five-year forecast of social security spending. We forecast that disability spending will rise from £4.2 billion in 2023-24 to £7.1 billion in 2029-30 in nominal terms. Figure 4.10 shows how the number of people receiving the payments is forecast to change in Scotland.⁹¹

⁹⁰ DWP (2024) FRS Stat-Xplore

⁹¹ Scottish Fiscal Commission (2024) [Scotland's Economic and Fiscal Forecasts – December 2024](#)

Figure 4.10: People receiving disability payments, Scotland, 2023-24 to 2029-30

People receiving disability payments are forecast to increase over the next 5 years



Description of Figure 4.10: Line chart showing forecast rise people receiving disability payments by Adult Disability Payment (ADP), Pension Aged Disability Payment (PADP) and Child Disability Payment (CDP). All three grow throughout the forecast with ADP rising the most from just above 400,000 people to just below 700,000 people.

Source: Scottish Fiscal Commission.

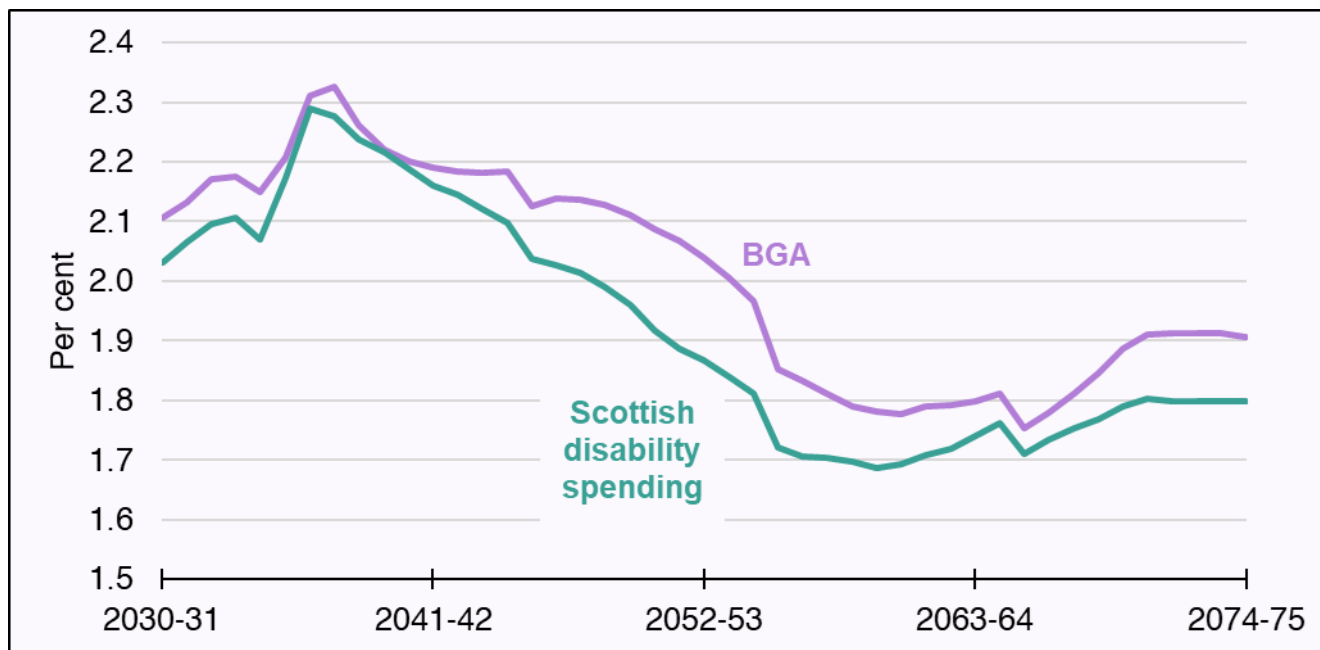
4.50 We project disability payment spending beyond 2029-30 based on the prevalence of disability payment receipt by age. We allow for a long-term increase in prevalence in the working age population because of the ageing of the higher levels of children currently in receipt disability payments. We assume payments will be uprated in line with earnings over the long term. We project the Block Grant Adjustment funding on a similar basis. These are based on disability benefit prevalence and projected populations in England and Wales .

4.51 This BGA projection does not take into account recent UK Government announcements on future changes to the Personal Independence Payment (PIP) because these were announced after our data cut-off for these projections. The UK Government has announced a package of welfare reforms, which the OBR estimate will save £4.8 billion by 2029-30, mainly through tightening the eligibility criteria for PIP.⁹² Changes to PIP will not directly affect Scottish disability payments, the changes to Universal Credit may prompt more people to apply, and BGA funding will be significantly reduced. The effect of this on the medium term will be explored in our May 2025 forecasts, but it is likely that more funds will be needed from elsewhere in the Scottish Budget to make up for reductions in social security BGAs. Divergence in the approach to disability benefits between Scotland and the rest of the UK has already materialised in the new payment systems and if this divergence widens it could lead to long-term funding pressures.

⁹² OBR (2025) [Economic and fiscal outlook – March 2025](#)

Figure 4.11: Growth in disability spending and their BGAs, 2030-31 to 2074-75

Population trends and BGA indexation mean funding could grow faster than spending



Description of Figure 4.11: Line chart showing projected growth in disability spending in Scotland and its associated BGA funding. Both follow a very similar trend, but BGA funding is expected to increase slightly faster than Scottish spending throughout the projection, with the surplus being greater between the early 2040s and the early 2060s.

Source: Scottish Fiscal Commission.

- 4.52 The projected spending on disability benefits reaches over £16 billion in 2024-25 prices by the end of the projection period. Spending is due to the growing and ageing population as well as the uprating of the payments. These are distinct from the healthcare spending that we have shown and included in our estimates of social security as shown in [Chapter 3](#).
- 4.53 When comparing to the growth in the Block Grant for these payments there is a slightly higher growth in the BGA. This means the gap between the two closes slightly for disability payments over the projection period.

Box 4.2: Local Health Boards

In Scotland, the 14 territorial NHS Health Boards are annually allocated funding through the National Resource Allocation formula (NRAC), allocating around 70 per cent of the NHS budget. The NRAC formula acts as an objective measure of the need for health care services, capturing variation in health boards based on four components: Share of Population, Age and Sex Composition Index, a Multiple Life Circumstances (MLC) Index, and an Excess Cost Index. The MLC index captures a range of measures which influence the need for healthcare, including limiting long-term illness rate. The Excess Cost Index captures the additional cost of providing health care in rural areas. The formula results in two target shares, one for Hospital and Community Health Services (HCHS) and another of prescribing costs. The weighted average of these two shares creates the final NRAC target share which inform the fair and equitable allocation of funds between boards. We focus only on the largest share, the HCHS.

The main determinant of the formula is the health board's share of the Scottish population, which is adjusted based on the indices calculated for each of the other formula components. In 2024-25- only three health boards had a final target share that was less than their population share – these being Lothian, Grampian, and Forth Valley.

As we are interested in the long term, we use population projections and apply the NRAC formula to understand the changing pressures health boards face across Scotland. There are two differences between this analysis and the projections set out in this report. Firstly, we are using 2018-based population projections as updated subnational population projections reflecting the 2022 census are not yet available. The results for specific health boards will change once those are available, but the broad differences between health boards are likely to remain. The second difference is that this analysis only extends to 2044 as local area population projections cover a shorter time than the whole-of-Scotland projections. We use the population and age-sex compositions, using the local population projections from the National Records of Scotland.⁹³ We hold the MLC index and Excess Cost Index constant.

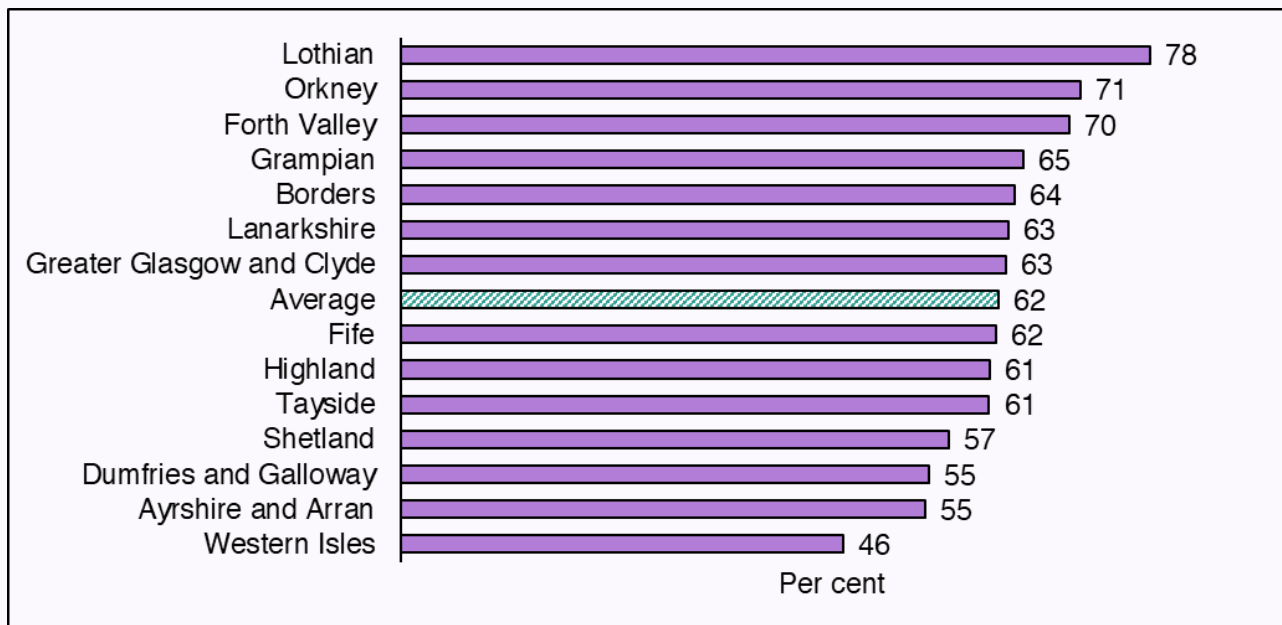
This creates a projected target funding share for each health board until 2042-43. Taking the Lothian NHS Health Board as an example, it had a 15.2 per cent HCHS target share in 2024-25 and by 2042-43 we project a target share of 16.4 per cent. As we project aggregate HCHS spending as part of our modelling, we decompose this change across health boards to see the projected change in spending across health boards by 2042-43, as shown in Figure 4.12. This shows that, on average, health boards will have a 62 per cent higher spend in 2042-43 but the differing pressures results in variation across health boards.

Our projections for health spending are only at the aggregate Scotland-level. Variation in population and demographic compositions will mean that health boards face different demand on healthcare, and different responses to fiscal risks will need to be considered for different health boards.

⁹³ National Records of Scotland (2020) [Population Projections for Scottish Areas 2018-based](#)

Figure 4.12: Change in hospital and community health services spending, 2023 to 2043

Projected growth in health spending is expected to vary based on regional differences



Description of Figure 4.12: Bar chart showing the projected health spending growth from 2023 to 2043, at the Scottish level and by health board. There is regional variance, with some health boards expected to see significantly greater spending pressures (Lothian, Orkney, Forth Valley) and others significantly less (Western Isles, Dumfries and Galloway, Ayrshire and Arran).

Source: Scottish Fiscal Commission.

For example, Lothian is projected to see its funding requirements increase by 78 per cent, in comparison to 46 per cent in the Western Isles. These differences are largely caused by population changes, with Lothian projected to have an increasing population and the Western Isles a decreasing population. This has implications for health spending, as areas with greater populations will demand more health services. However, at the same time health boards face changes to their age and sex compositions. The Western Isles has an above average age-sex index, meaning they require relatively more funding because of their demographic composition, and we estimate that this pressure will increase. In comparison, Lothian’s age and sex index is relatively constant and below average. An ageing population can put increased demand on healthcare that exceeds and offsets the downward pressure on spending associated with a declining population. This may also have implications for excess costs and available workforce.

Changing population and demographics will mean that the difference between population share and HCHS will change over time. In 2024-25, three health boards had a target share greater than population and we expect this to increase to four by 2043 with Greater Glasgow and Clyde also receiving less on than the population share, this reflects that these health boards are projected to have relatively less ageing than others. This means that the share of funding received by other health boards will grow, as the HCHS total spending is split between the health boards.

This analysis assumes that the underlying relationship between age and health spending, through the HCHS profile, remains the same. We assume that the NRAC formula correctly

accounts for need, and that there are no relative changes to the MLC index and Excess Cost Index. Changes to the level of health in the population, life expectancy, or other factors impacting any of the components of the NRAC formula could result in a change in target shares.

Chapter 5

Population Health and Fiscal Sustainability

Overview

- 5.1 The health of the population affects funding for the Scottish Budget and the wider economy through labour market participation and productivity. It also affects spending on health, social care and social security.
- 5.2 Improved population health can improve people's ability to participate in the labour market. Higher participation can lead to more people earning and spending, which grows the economy and leads to more people paying tax and higher tax revenue. This would have a positive effect on Scottish Government funding.
- 5.3 If population health worsens then more spending may be needed to maintain the same access to services, whereas improvements in population health could lead to lower costs for the same access or to achieve the same outcomes.
- 5.4 Whether or not gains in health result in lower spending on healthcare, social care, and social security would be a policy choice. Governments may wish to continue to spend similar levels, and improve provision and reduce unmet need in these areas in Scotland.

Health scenarios

- 5.5 We illustrate the economic and fiscal implications of different courses of population health over the next fifty years with scenarios of better and worse health in Scotland. We adjust four assumptions in our fiscal sustainability model. We do not change the assumptions for population health in the rest of the UK from our baseline scenario. We focus on an improvement in Scottish health rather than that of the UK overall population as this is what the Scottish Government can influence.
- 5.6 Recent trends in life expectancy and healthy life expectancy deviate from the improvements which had been observed in the long term. These long-term trends determine our baseline scenario. If future trends have more in common with health trends in the last decade, then the outlook for health spending may be closer to the worse health scenario. Our better health scenario shows the possible benefits improving population health would have for the economy and public finances.
- 5.7 For the scenarios we have adjusted the following determinants of fiscal sustainability:
 - **Healthy life expectancy** – We adjust the amount of spending per person by changing our assumption on the link between life expectancy and the age-sex spending profiles for health and social care. This illustrates the effect of compression and expansion in morbidity. Improving or worsening healthy life expectancy in the better and worse scenarios shows the effect of keeping the same delivery under different levels of age-related spending.

- **Disability prevalence** – To reflect recent rises in disability spending, we have included changes in disability benefit prevalence in our scenarios. These capture how changes to disability trends could change spending.
- **Economic participation** – In Scotland, in 2024, 34 per cent of people aged 16 to 64 who are economically inactive are so due to ill-health.⁹⁴ We show how changes to this could affect fiscal sustainability.
- **Life expectancy** – We assume the changes to population health affect life expectancy. This allows us to capture some of the likely changes to population size and age structure if health changes in Scotland.

5.8 For simplicity we have focused on varying only four assumptions in our scenarios. These assumptions are interrelated and other areas, such as the long-term conditions component of other cost pressures on health, could be impacted by changes in population health. There could also be feedback loops between these assumptions such as increased labour participation improving health, but we do not model these. Figure 5.1 describes the specific changes made to each assumption.

⁹⁴ Scottish Government (2025) [Scotland's Labour Market Insights: February 2025](#)

Figure 5.1: Summary of scenarios assumptions

Variable	Baseline scenario	Better health scenario	Worse health scenario
Healthy life expectancy	Half a year gain in good health for every year in life expectancy growth	A year gain in good health for every year in life expectancy growth	No gain in good health for every year gain in life expectancy
Disability prevalence	We allow the current child disability prevalence rates to lead to higher disability prevalence in older age groups	No growth in single year of age disability prevalence payment rates	Double the growth of baseline scenario disability payment prevalence rates
Economic participation	Single year of age rates are only adjusted for projected changes in the State Pension age ⁹⁵	Single year of age rates reach UK age rates by the end of the projection	Gap between UK and Scotland at each age doubles by the end of the projection
Life expectancy	Two year gap between England and Scotland by the end of the projection	No gap between Scotland and England by the end of the projection	Four year gap between Scotland and England by the end of the projection

Source: Scottish Fiscal Commission.

- 5.9 These scenarios do not account for how Scotland would make these changes to population health or how much it may cost the government to achieve improvements to health. It may be that getting to this higher level of population health would require substantial preventative spending or spending to reduce inequalities. Instead, we focus on the effects that population health changes could have over the long term on the Scottish economy and fiscal sustainability.
- 5.10 Our assumption of improved health implies that access otherwise continues at current levels, and there is no policy choice to increase spending, such as to reduce unmet need. Our worse health scenario assumes that spending would meet the increased

⁹⁵ The OBR assumes the State Pension age will rise to 67 in 2028, 68 in 2039, and 69 in 2073. We match these assumptions in our projection of participation rates in Scotland, and the UK. For more information on the OBR's assumptions see OBR (2022) [Fiscal risks and sustainability – July 2022](#).

needs and costs incurred at relatively younger ages than in our baseline scenario to provide the same level of service.

Economic and fiscal implications of health scenarios

5.11 This section summarises how the outlook for the economy, funding, spending, and the annual budget gap differs between the scenarios.

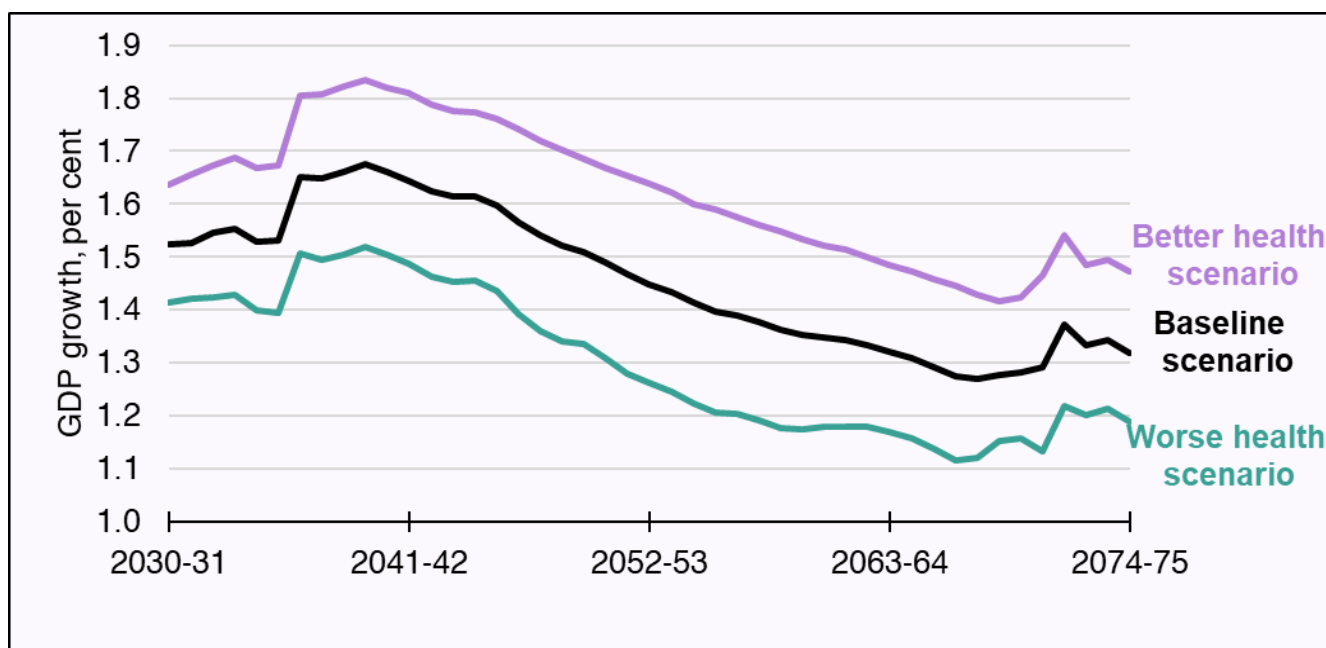
Economy

5.12 GDP growth increases by an average of 1.6 per cent per year over the projection in the better health scenario compared with 1.3 per cent per year in the worse health scenario.

5.13 The economic implications of our health scenarios on GDP growth are broadly symmetrical around our baseline scenario. Figure 5.2 shows the Scottish GDP growth in the baseline, better health, and worse health scenarios. In the better health scenario with higher participation rates and a larger population, GDP growth is higher. The worse health scenario shows the opposite with lower participation rates and a smaller population resulting in lower GDP growth than the baseline scenario.

Figure 5.2: Scottish GDP growth under health scenarios, 2030-31 to 2074-75

A change in Scotland's population health can have a large effect on GDP growth



Description of Figure 5.2: Line chart showing projected Scottish GDP growth in the baseline, better health and worse health scenarios. The three follow the same trend, with a small increase in growth rates in the late 2030s because of the State Pension Age increase and higher productivity, followed by a gradual slowing of growth up to 2070-71. The better and worse health scenarios show a step-change respectively above and below the baseline scenario.

Source: Scottish Fiscal Commission.

Funding

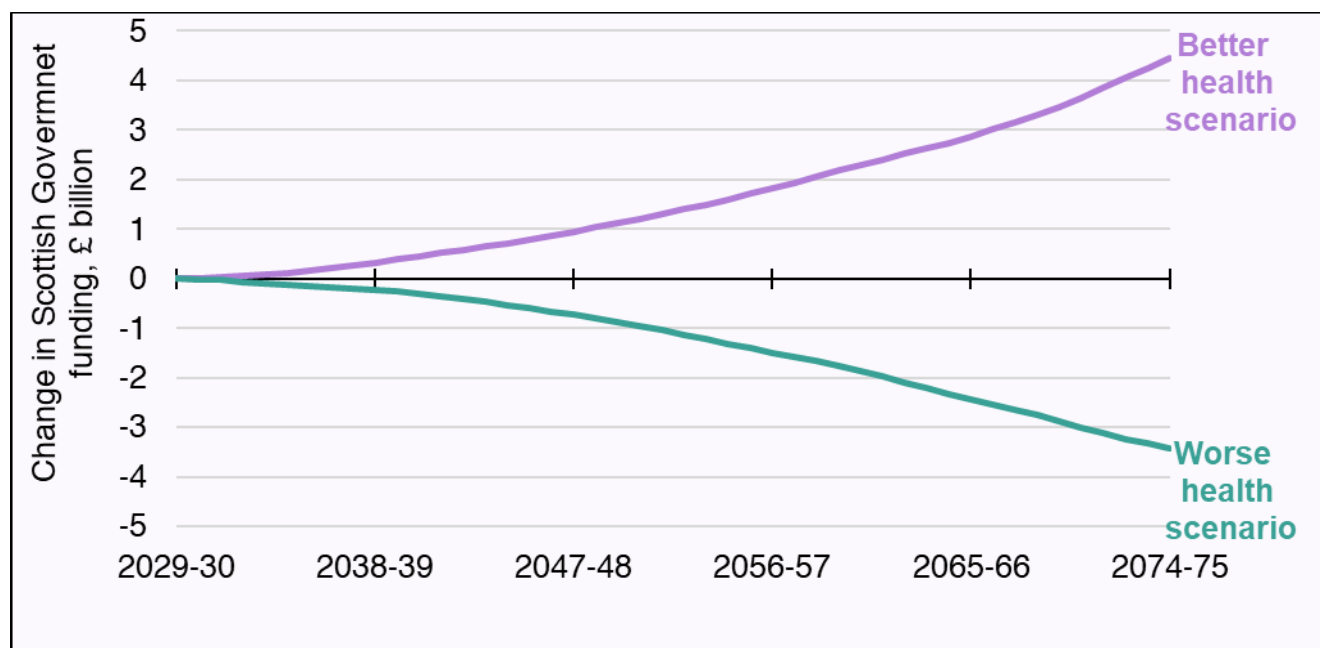
5.14 In the better health scenario, the changes to funding are the result of increased participation in the labour market and a larger population. This contributes to a higher

tax revenue and a larger Block Grant because of the larger population. In total, funding increases by 2.8 per cent compared with the baseline scenario by the end of the projection, of which 1.7 per cent is because of the higher participation rate.

- 5.15 In the worse health scenario, funding falls by 2.2 per cent compared with the baseline scenario by the end of the projection period. Figure 5.3 shows that funding in the better health scenario increases by £4 billion, and in the worse health scenario falls by £3 billion, by 2074-75.

Figure 5.3: Funding levels changes in health scenarios, Scotland, 2029-31 to 2074-75

Funding can be increased by improving population health, or decreased by declines in population health



Description of Figure 5.3: Line chart showing the funding levels from 2029-30 to 2074-75, under the better and worse health scenarios. In the better health scenario, the funding level increases by £4 billion in 2074-75. The worse health scenario shows the reverse trend, with funding falling by £3 billion in 2074-75.

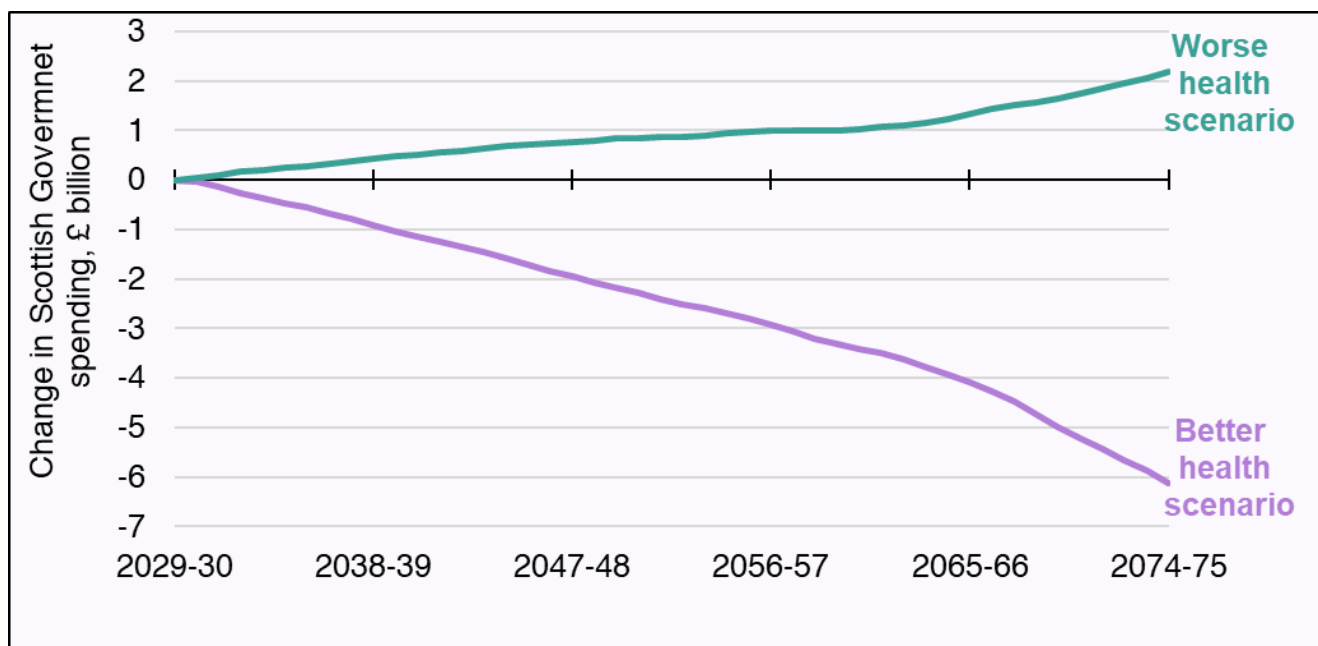
Source: Scottish Fiscal Commission.

Spending

- 5.16 In the better health scenario the increase in population size and participation rates leads to higher spending as demand increases with population size and growth in the economy. However, the healthy life expectancy assumption and lower disability benefit prevalence offset this and lead to lower spending overall. In the better health scenario, reduced age-related spending lowers the pressure from improved life expectancy so the increase in spending is 3.8 per cent lower by the end of the projection compared with the baseline scenario. Whereas in the worse health scenario, total spending increases by 1.4 per cent by 2074-75 compared with the baseline scenario.
- 5.17 Figure 5.4 shows that, by 2074-75, spending decreases by £6 billion in the better health scenario and increases by £2 billion by in the worse health scenario compared with the baseline scenario.

Figure 5.4: Spending levels changes in health scenarios, Scotland, 2029-30 to 2074-75

Spending can be decreased by improving population health, or increased by declines in population health



Description of Figure 5.4: Line chart showing the spending levels from 2029-30 until 2074-75, under the better and worse health scenarios. In the better health scenario, spending levels fall by £6 billion in 2074-75. In the worse health scenario, spending levels increase by £2 billion in 2074-75.

Source: Scottish Fiscal Commission.

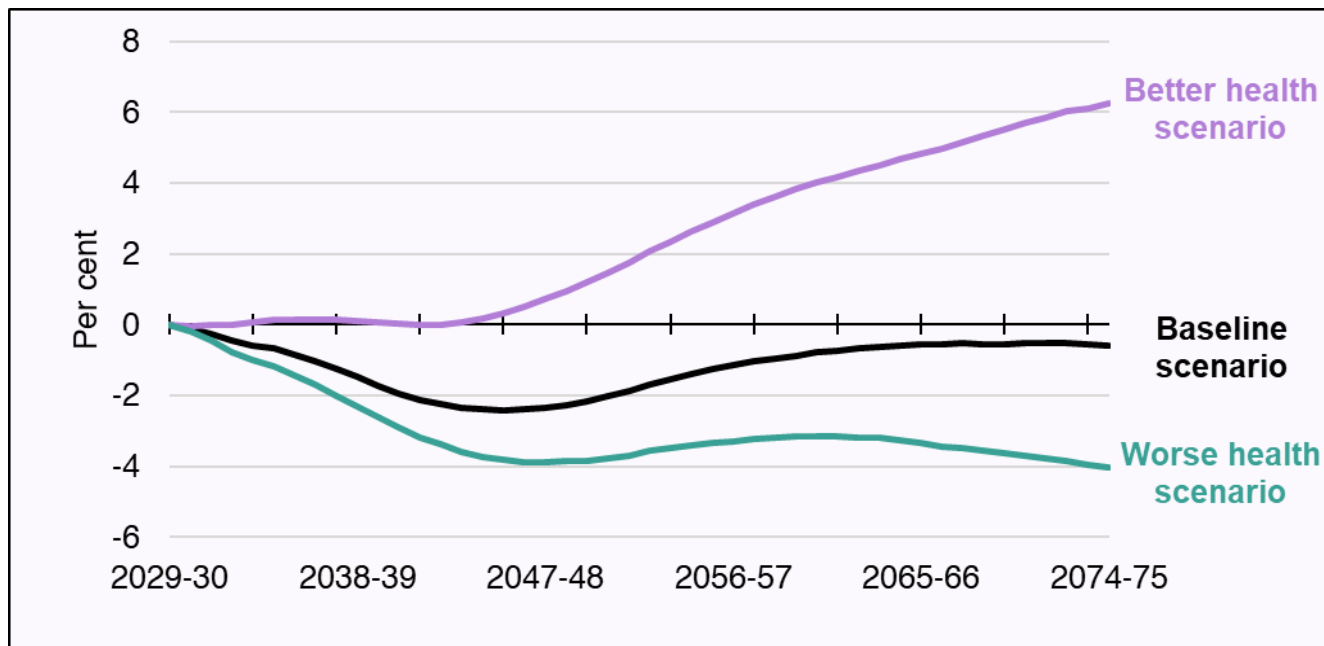
- 5.18 The biggest spending change is in health and social care spending because of the assumed changes in healthy life expectancy, which reduce the level of health and social care spending at each age. The spending reduction in the better health scenario is greater than the increase in the worse health scenario because of how much the healthy life expectancy assumption reduces age-related spending.
- 5.19 The better health scenario reduces spending on health by 9 per cent and spending on social care by 14 per cent compared to the baseline scenario by the end of the projection. The worse health scenario increases spending on healthcare by 4 per cent and spending on social care by 8 per cent compared with the baseline scenario.

Annual budget gap

- 5.20 Combining the effect of these scenarios on funding and spending gives the impact they have on the annual budget gap.

Figure 5.5: Annual budget gap under baseline, better and worse health scenarios, 2029-30 to 2074-75

Better health could mitigate Scotland-specific fiscal pressures from demographic change



Description of Figure 5.5: Line chart showing the annual budget gap under three scenarios: baseline, better health, and worse health. In the better health scenario, the annual budget gap is around zero until the mid-2040s and then becomes increasingly positive. In the worse health scenario, it is more negative than in the baseline scenario. The shape of the three lines is roughly the same.

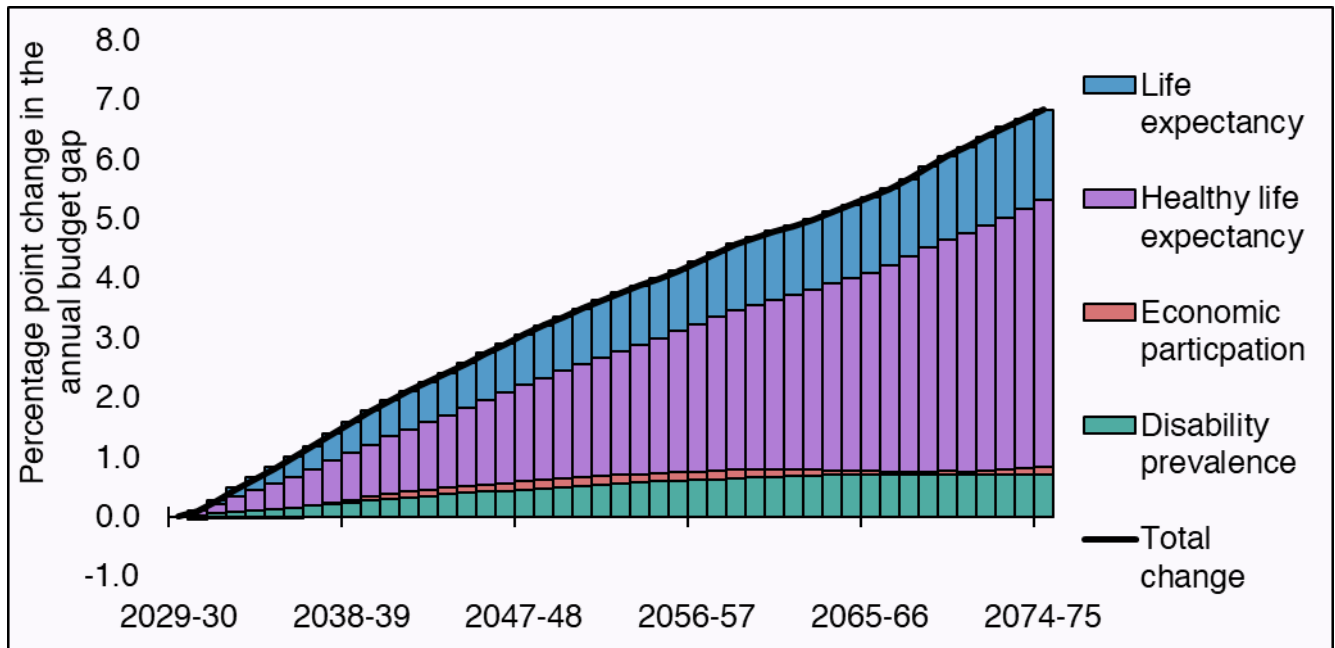
Source: Scottish Fiscal Commission.

5.21 Figure 5.5 shows that the worse health scenario is likely to lead to a substantial worsening of the annual budget gap. Better population health can improve the outlook for the public finances, with the annual budget gap reaching positive 6.2 per cent by the end of the projection. The shape of the annual budget gap remains the result of the relative age distributions between Scotland and the rest of the UK, and these age structures are not significantly changed in these scenarios.

5.22 Figure 5.6 shows how the changes in assumptions affect the annual budget gap in the better health scenario compared with the baseline scenario. The change in healthy life expectancy has the biggest effect on the annual budget gap. It makes up 4.5 percentage points of the 6.8 percentage point increase in the annual budget gap projection compared to the baseline scenario.

Figure 5.6: Change in the annual budget gap because of better health compared with the baseline scenario, 2029-30 to 2074-75

The change to healthy life expectancy assumption is the biggest cause of improvement of the annual budget gap



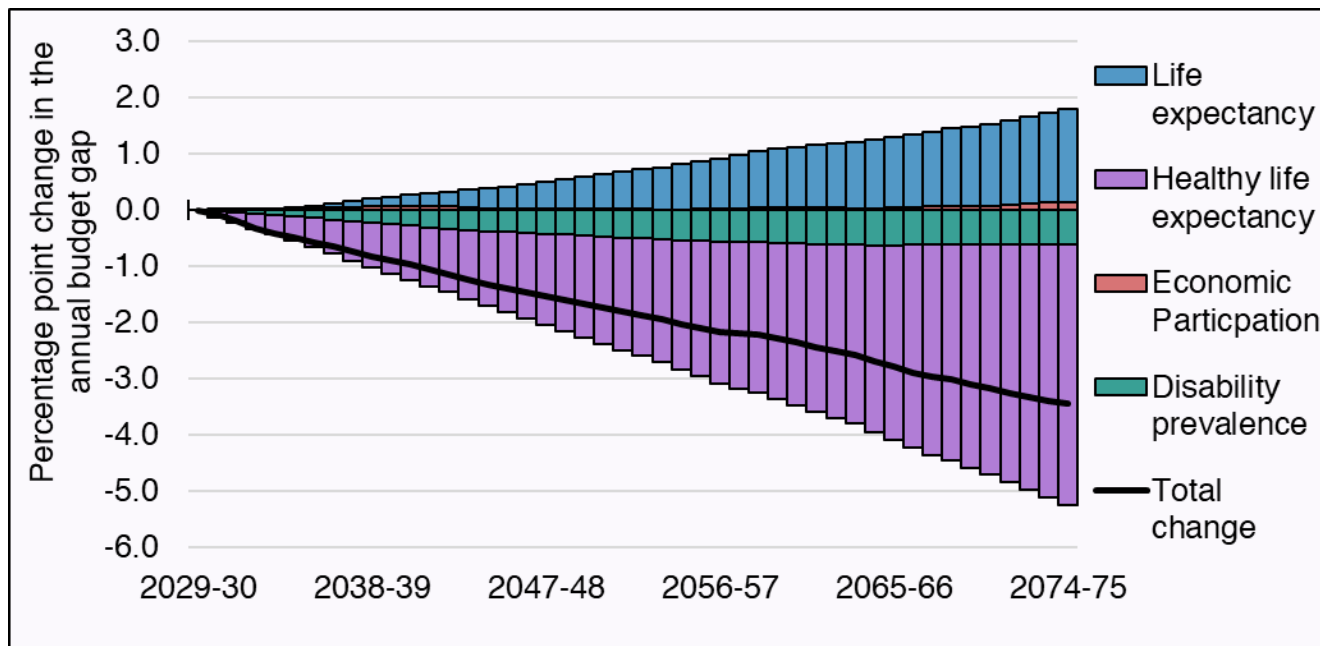
Description of Figure 5.6: Stacked bar chart showing the change in the annual budget gap under the better health scenario compared with the baseline scenario. The better health scenario improves the annual budget gap by 7 percentage points by the end of the projection period. This is mostly because of healthy life expectancy.

Source: Scottish Fiscal Commission.

5.23 Figure 5.7 shows how the changes in assumptions affect the annual budget gap in the worse health scenario compared to the baseline scenario. The change in healthy life expectancy also has the biggest effect on the annual budget gap in the worse health scenario. It decreases the annual budget cap by 4.6 percentage points, though this is partially offset by worse life expectancy reducing spending. Therefore, the total effect of the worse health scenario is a widening in the annual budget gap by 3.4 percentage points.

Figure 5.7: Change in the annual budget gap because of worse health compared with the baseline scenario, 2029-30 to 2074-75

The change to the healthy life expectancy assumption is the biggest cause of worsening of the annual budget gap



Description of Figure 5.7: Stacked bar chart showing the change in the annual budget gap under the better health scenario compared with the baseline scenario. The better health scenario worsens the annual budget gap by 3 percentage points by the end of the projection period. This is mostly due to the healthy life expectancy.

Source: Scottish Fiscal Commission.

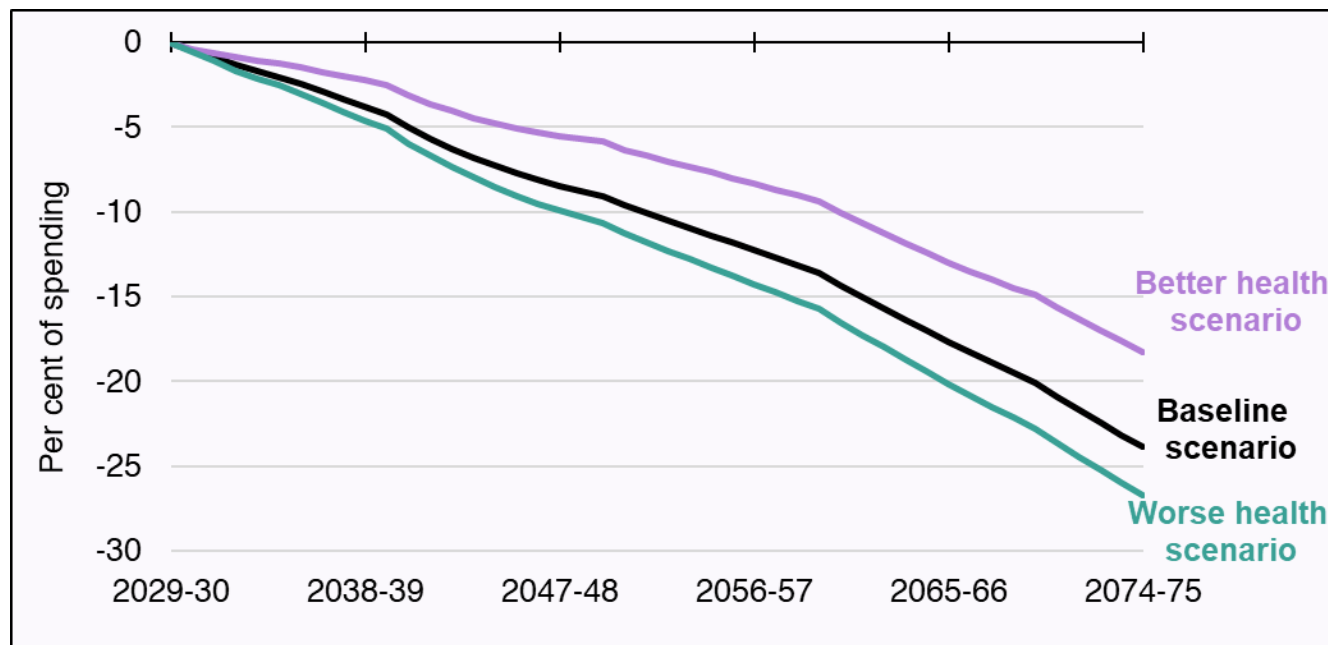
- 5.24 Life expectancy affects the annual budget gap positively in both the better and worse health scenarios. In the better health scenario, this is because the increased spending associated with a larger population is more than outweighed by the savings associated with life expectancy increases being assumed to be in good health. In the worse health scenario, lower life expectancy results in less spending through a smaller population. This highlights that being able to capture gains in life expectancy in good health can have a strong effect on the public finances.
- 5.25 Changes to life expectancy in Scotland would have implications for the UK Government. The OBR’s 2024 Fiscal risks and sustainability report showed that, in an improved health scenario, improvements to the UK Government’s borrowing and debt would be partially offset by increased pensions spending.⁹⁶ Pensions are a reserved responsibility of the UK Government and, in the case of an improvement in Scottish life expectancy, it would increase UK Government spending on pensions. How the UK Government would manage that increased cost through changes to other areas of spending or tax would in turn affect Scottish Government funding.
- 5.26 In [Chapter 3](#), we showed the projection of the annual budget gap in a scenario of the UK Government responding to their fiscal sustainability challenges. Figure 5.8 shows the better and worse health scenarios in the context of the UK Government applying the fiscal tightening outlined in [Chapter 3](#). Assuming a UK Government response to fiscal

⁹⁶ OBR (2024) [Fiscal risks and sustainability – September 2024](#)

sustainability, we see the better health scenario results in an annual budget gap of minus 18 per cent and the worse health scenario results in an annual budget gap of minus 27 per cent by the end of the projection period.

Figure 5.8: Scottish Government’s annual budget gap scenarios under UK fiscal consolidation, 2029-30 to 2074-75

When accounting for UK Government fiscal consolidation, all three scenarios are negative and growing



Description of Figure 5.8: Line chart showing the annual budget gap projection under a scenario in which the UK Government responds to fiscal pressures under three scenarios: baseline, better, and worse health. The gap when the UK Government responds is negative in all years of the projection under all three scenarios but is improved and worsened by the better and worse health scenarios respectively.

Source: Scottish Fiscal Commission.

- 5.27 This illustrates the scale of the impact UK Government fiscal tightening could have. The fiscal sustainability of devolved Scottish public finances is interlinked with that of the UK Government. Although better population health would improve the fiscal position, the UK Government’s fiscal stance has greater capacity to impact the Scottish Government finances.
- 5.28 Our spending projections are based on current policies and do not reflect some of the additional known challenges which the Scottish Government will face. In our March 2024 report on climate change, we highlighted how actions to mitigate climate change and reach net zero require substantial public investment which is not captured in our projections of Scottish Government spending.⁹⁷ In addition, some of the costs of adapting to climate change and reducing the damage from climate change will fall on the Scottish and UK Governments.
- 5.29 The analysis presented in this report highlights the long-term fiscal challenges facing the Scottish Government. The outlook for funding, spending and fiscal sustainability presented here is not inevitable. But it indicates a need to undertake planning to

⁹⁷ Scottish Fiscal Commission (2024) [Fiscal Sustainability Perspectives: Climate Change](#)

address the risks and challenges. The outlook would be more challenging if spending required for climate change is included.

Annex A

Methodology

Overview

- A.1 This annex sets out the updates we have made to our approach to projecting Scottish Government funding and spending that we set out in Annex A of our 2023 Fiscal Sustainability Report (FSR).⁹⁸
- A.2 We have updated our approach to projecting spending in the medium term, we use new spending profiles for health and social care in Scotland, and we have updated our long-term projection of social security spending and the accompanying Block Grant Adjustments. This annex explains these changes.
- A.3 Our long-term projections and our medium-term forecasts serve a different purpose. The forecasts use detailed modelling of a multitude of factors and a full articulation of government policies to provide our best forecasts of the path of GDP, social security spending and devolved taxes over a five-year horizon. The aim of the long-term projections is to show how broad trends will affect the public finances over time, rather than to provide a specific point estimate. Therefore, we use the term ‘projection’ rather than ‘forecast’ throughout this long-term analysis.
- A.4 Throughout this report, we project all devolved public spending and funding in Scotland. This includes Scottish local authority spending and funding. Scottish local authority spending is net of sales, fees and charges. Spending numbers in this report are not directly comparable to the figures of spending in the Scottish Budget, which refers only to Scottish Government spending.

Medium-term assumptions

- A.5 In our 2023 FSR, we assumed funding and social security spending in the medium term to be in line with the December 2022 SEFF forecast. We assumed other spending for the first five years of the projection period to be in line with the May 2022 Resource Spending Review, updated to account for the 2023-24 Scottish Budget and our forecasts produced in December 2022 alongside it.⁹⁹
- A.6 We used these forecasts to project Scottish Government spending through the five-year forecast period, to give our starting point for the long-run fiscal projections. We assumed that the Scottish Budget would be broadly balanced in the first five years of the projection, in line with the fiscal framework.

⁹⁸ Scottish Fiscal Commission (2023) [Fiscal Sustainability Report – March 2023](#)

⁹⁹ Scottish Government (2022) [Resource Spending Review 2022](#), Scottish Government (2022) [Scottish Budget: 2023 to 2024](#), Scottish Fiscal Commission (2022) [Scotland’s Economic and Fiscal Forecasts – December 2022](#).

- A.7 As there has not been a Scottish spending review since our last report, we do not have a basis for Scottish Government spending plans beyond 2025-26. We base our health spending projection on the approach taken in the May 2023 Medium-Term Financial Strategy, where the Scottish Government assumed that health would grow at 4 per cent per year.¹⁰⁰ We assume that other spending grows in line with the remaining funding to ensure the budget balances over the first five years of the projection.
- A.8 We base our new projections of funding and social security spending on the December 2024 SEFF and the January 2025 costing of the Scottish Government's plans to mitigate the Universal Credit two-child limit.¹⁰¹
- A.9 For the first five years of spending for areas other than social security, we project that:
- Health spending increases by 4 per cent per year from 2026-27 to 2029-30.
 - The General Resource Grant plus Non-Domestic Rates Distributable Amount funding for Scottish local authorities grows in line with total funding for the Scottish Budget.
 - All other spending grows with remaining funding, to keep the Scottish Budget balanced in all years in the medium term.

Scottish health and social care profiles

- A.10 In our 2023 FSR we used the OBR profiles of health spending from what was then their most recent Fiscal risks and sustainability report for both our Scottish and UK Government projections.¹⁰² In this report we use Scotland-specific spending profiles to capture the different spending per age in Scotland. The OBR introduced new profiles in their 2024 Fiscal risks and sustainability report and we have updated our UK Government health spending projection profiles in line with these.¹⁰³
- A.11 The age and sex spending profiles indicate the likely spend on a person at a given age and sex, reflecting the likelihood they receive a service or spending relative to other ages and the relative cost of the service by age. This is the basis of the demographic spending changes throughout the projection, and this alters spending as the age distribution of the population changes.

Health

- A.12 By introducing Scotland-specific profiles for resource health spending, we better reflect Scottish trends in spending.
- A.13 There are four health spending profiles covering hospital and community health services, family health services (excluding drugs), pharmaceutical services, and capital spending.

¹⁰⁰ Scottish Government (2023) [The Scottish Government's Medium-Term Financial Strategy](#)

¹⁰¹ SFC (2024) [Scotland's Economic and Fiscal Forecasts – December 2024](#), SFC (2025) [Mitigating the two-child limit and the Scottish Budget](#).

¹⁰² OBR (2022) [Fiscal risks and sustainability – July 2022](#)

¹⁰³ OBR (2024) [Fiscal risks and sustainability – September 2024](#)

- A.14 For the capital spending profile we continue to match the OBR estimates of the distribution of spending by age.
- A.15 We received data from Public Health Scotland (PHS) on the National Resource Allocation Formula target shares for 2025-26.¹⁰⁴ This is used to distribute spending across Scotland for the hospital and community health services profile, and the pharmaceutical services profile.
- A.16 For the family health services profile we used the published data from NHS Scotland for 2024-25 on the weightings used in their distribution of spending to GP practices based on population size and age structure.¹⁰⁵ For the English health spending projections we use the data used by the OBR in its 2024 Fiscal risks and sustainability report for these four spending areas, based on NHS England data.¹⁰⁶
- A.17 We use the profiles to project the changes in spending from population changes. We use the population in the first year of the projection as the starting point. Next, we multiply the profile by the population for each year of the projection, to estimate how spending changes in line with changes to the Scottish population. We then combine this demographic projection with the other elements of the health spending projection to project total health spending growth.

Social care

- A.18 We have updated our Scottish social care profiles so that our projections better reflect the increased demand on social care in the future because of an ageing population.
- A.19 Previously we separated social care spending between people aged 16 to 64, and people aged 65 and over. We have used PHS data on the number of people receiving care in more detailed age brackets for people aged 65 and over as an age-sex spending profile.¹⁰⁷
- A.20 Using the people supported in social care as a proxy for the amount of spending at each age group better reflects the amount of spending needed for the older age groups than our previous approach that grouped spending for people aged 65 and over together.

Age-related spending and life expectancy

- A.21 For spending in health and social care, we assume that changes in life expectancy will result in changes in spending in these areas. As life expectancy increases, we shift the age and sex spending profiles to assume that health improves as life expectancy improves.

¹⁰⁴ Public Health Scotland (2024) [Resource Allocation Formula \(NRAC\)](#)

¹⁰⁵ NHS National Services Scotland (2024) [Scottish Statement of Financial Entitlements: 2024-25](#)

¹⁰⁶ OBR (2024) [Fiscal risks and sustainability – September 2024](#)

¹⁰⁷ Public Health Scotland (2024) [People supported through Social Care Services](#)

- A.22 This approach is in line with how the OBR has changed its projections of the hospital and community health services profile. The OBR outlines more detail on the rationale for this, and how similar assumptions are used by the European Commission and OECD, in its long-term projections.¹⁰⁸
- A.23 In our baseline scenario we assume that for every year life expectancy improves, the level of spending required at a given age improves by half a year. For example, the level of spending on a 60 year old becomes the level of spending on a 59 year old after a two-year improvement in life expectancy. In our baseline projection, this means an approximately one-year shift in the spending profile every eighteen years.

Social security projections

- A.24 We have updated our social security projections to take more detailed account of population age structure, Scotland's devolved approach to disability payments, and the ongoing rise in receipt of disability payments across the UK.
- A.25 Previously we assumed that under pre-devolution policy there would be a fixed rate of receipt of disability payments for under 16s, people aged 16 to 64, and people aged 65 and over. The additional cost of the Scottish Government's approach to disability payments was assumed to add a fixed percentage to spending, based on the final year of our five-year forecasts.
- A.26 We now use profiles for receipt of disability payments on a single year of age basis. This allows us to better capture the effect of Scotland's devolved approach to disability payments, and how demographic pressures in Scotland will differ from those in the rest of the UK.
- A.27 We also make an adjustment for the recent and forecast rise in receipt of disability payments across the UK. Under current forecasts the proportion of young people receiving disability payments will be higher than for previous cohorts, and we allow for this to feed through into higher receipt during adult life, in both Scotland and the rest of the UK.
- A.28 Our projections of social security Block Grant Adjustment funding do not take account of the recent announcements of changes to disability payments in England and Wales.¹⁰⁹

Scenario assumption changes

Healthy life expectancy

- A.29 We adjust our baseline assumption of the relationship between life expectancy changes and how much of life is spent in good health. This represents changing healthy life expectancy. In our baseline we assume that half of the gains in life expectancy are in good health.

¹⁰⁸ OBR (2024) [Fiscal risks and sustainability – September 2024](#)

¹⁰⁹ DWP (2025) [Pathways to Work: Reforming Benefits and Support to Get Britain Working Green Paper](#)

- A.30 In our better health scenario we assume that all of the gains in life expectancy are in good health, resulting in reductions in spending per age. In our worse health scenario, we remove the link between life expectancy and the age-spend profiles. This represents all the gains in life expectancy being spent in poor health, and extended rather than compressed morbidity.
- A.31 We apply this assumption to our age-sex spending profiles, as the change in health will lead to changes in spending required to provide the same level of health care. Better health and growth in life expectancy in these scenarios mean lower spending per age for people aged 45 and over. Worse health conversely increases spending per age for people aged 45 and over compared to the baseline.
- A.32 Our scenarios reflect the assumed level of spending required for a change in population health based on current access to services. The government could decide to continue to spend the same amount if population health improved, but this would represent an increase in the provision or quality.
- A.33 The worse health scenario is in line with what we have seen in the past decade with no growth in life expectancy and a fall in healthy life expectancy. This suggests that there has been an increase in the amount of time people live in poor health. Our worse health scenario could be considered a continuation of this trend in Scotland.
- A.34 How gains in life expectancy are achieved and whether these gains are spent in good or bad health would have implications for health spending. Studies on healthy ageing suggest health behaviours such as not smoking, improvements in obesity and cardiovascular health, and interventions to support reduced morbidity such as knee and hip replacements are required for the compression of morbidity.¹¹⁰
- A.35 There are significant health inequalities in Scotland, and these are worse than in England. Reducing these inequalities by improving the health of people in the most deprived areas, who have the shortest life expectancies and also spend the most time in poor health, would compress morbidity and improve healthy life expectancy overall.

Disability prevalence

- A.36 In our baseline projection, the current increase in disability prevalence feeds through into the future rates of disability. In our better health scenario we stop this from feeding through to older age groups and assume no growth in disability prevalence by single year of age, instead only allowing prevalence to grow based on the age distribution. In our worse health scenario we double the growth in disability prevalence by age group assumed under the baseline scenario by the end of the projection period.
- A.37 As discussed in [Chapter 4](#), the recent increases in disability spending have put pressure on other areas of the Scottish Budget. The take-up of disability payments has long-term effects because, once people receive payments, they tend to continue to receive them in the future. This means that the take-up of disability payments has lasting effects on fiscal sustainability.

¹¹⁰ Fries J F, Bruce B, and Chakravarty E (2011) [Compression of Morbidity 1980–2011: A Focused Review of Paradigms and Progress](#)

A.38 If prevalence were to grow faster in Scotland than in the rest of the UK this would put further pressure on the Scottish budget and funding would have to be found from elsewhere. Conversely, if population health improved and reduced prevalence, then there would be less pressure on the budget.

Economic participation

A.39 In our baseline we assume no changes in participation rates by age, and that the overall participation rate moves over time only because of demographic changes. In our better health scenario we allow the assumed improvements in health to feed through to improved participation. We assume that participation rates by single year of age increase to match UK-wide participation rates by the end of the projection. In our worse health scenario we double the gap between Scottish and UK overall participation rates by the end of the projection.

A.40 Health affects people's ability to participate in the labour force. Labour market participation rates, hours worked, and productivity of the workforce affect income tax revenues in Scotland. The estimated Scottish inactivity rate for people aged 16 to 64 in Scotland is currently higher than that in the UK.¹¹¹ In Scotland 34 per cent of people inactive in the labour market are inactive due to ill-health and there is also a share of the population that is caring for these individuals.¹¹² For people who remain in work with a work-limiting illness, they typically work fewer hours and have lower hourly earnings.

A.41 In our scenarios we consider the benefits to the economy of greater participation. We do not consider any potential positive feedback effects on health of more people working.

A.42 Alongside affecting economic growth, participation rates also affect tax revenues. Higher participation means more people are working, resulting in higher tax revenues and an improved tax net position. The opposite could be the case with a falling participation rate.

Average hours worked

A.43 In our scenarios we do not change the average hours worked. We hold the average hours worked per person constant over the long term in our baseline, as 31.7 hours per week for both Scotland and the UK.

Equilibrium rate of employment

A.44 We assume a steady-state rate of unemployment of 4.1 per cent, and use this to project the equilibrium rate of employment for Scotland and the UK in all our scenarios.

¹¹¹ Scottish Government (2025) [Labour Market Trends: February 2025](#)

¹¹² Scottish Government (2025) [Scotland's Labour Market Insights: February 2025](#)

Life Expectancy

- A.45 In our baseline scenario we assume that life expectancy follows the ONS population projections for both Scotland and the UK. In these, the gap in life expectancy between Scotland and the UK is on average two years throughout the projection. In our better health scenario, we assume that this gap closes. In our worse health scenario, the gap doubles. To change life expectancy, we adjust the underlying mortality rates by single year of age to match those in the UK.
- A.46 The changes to life expectancy change the size of the Scottish population. They therefore affect the funding received through the Block Grant, as additional funding is based on a population share of changes in UK Government spending. A change in the size of the population also affects funding both through changes in tax revenues and Block Grant Adjustments.
- A.47 A larger or smaller population also affects the level of public spending required because of the number of people receiving public services and because the size of the population affects GDP growth. In our better health scenario, the change in life expectancy also has knock-on effects through healthy life expectancy changes.

Annex B

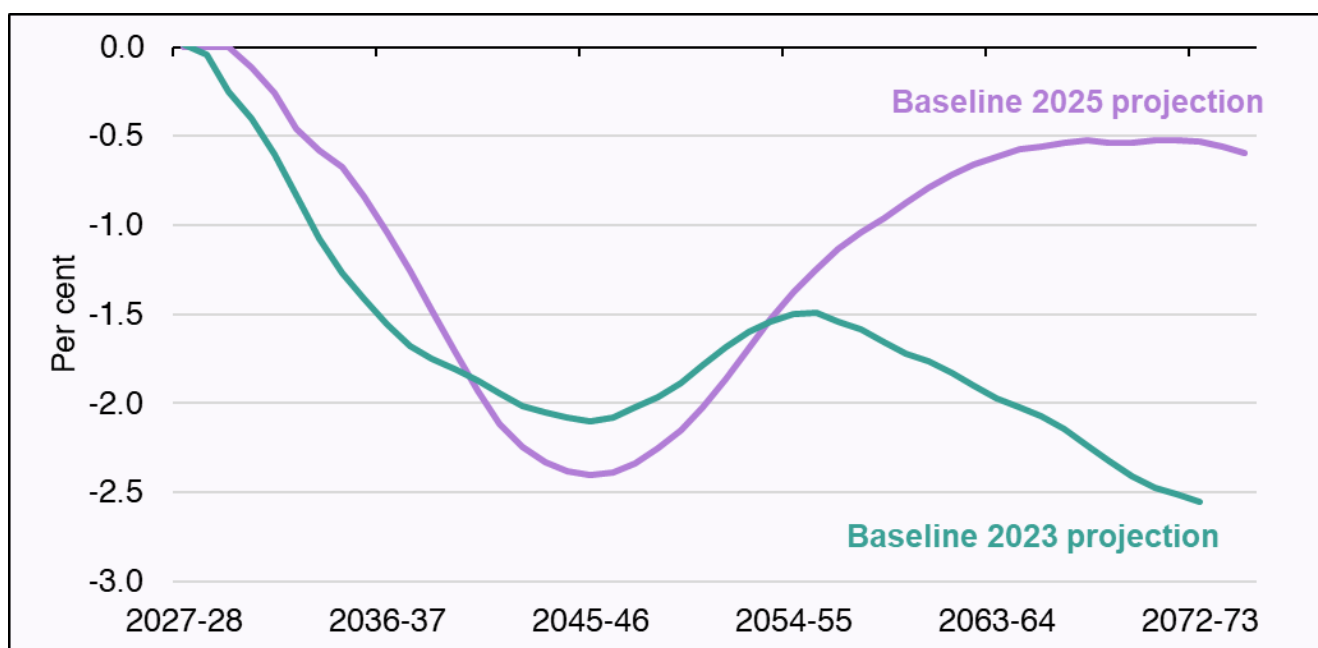
Changes since March 2023 Fiscal Sustainability Report

Overview

- B.1 This annex sets out the changes in the baseline annual budget gap projections since our March 2023 Fiscal Sustainability Report (FSR).¹¹³
- B.2 Figure B.1 shows how our projection of the annual budget gap compares to that in our March 2023 FSR. Both projections of the annual budget gap reach minus 2.5 per cent of devolved public spending, but our projections in this report reach it in the 2040s, compared to the final year of the projection in our 2023 FSR.

Figure B.1: 2023 and 2025 projections of the annual budget gap, 2027-28 to 2074-75

Our projections are similar until the mid-2050s, after which the two projections diverge



Description of Figure B.1: Line chart showing our baseline 2025 FSR annual budget gap projection, and our baseline 2023 FSR annual budget gap projection. Our 2025 FSR projection line is above that of our 2023 FSR projection for most years, but the annual budget gap is wider between 2040-41 and 2053-54. Our 2025 projection flattens in the final decade at minus 0.5 per cent, while our 2023 projected annual budget gap widens from 2025-56 onwards.

Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2023) [Fiscal Sustainability Report – March 2023](#).

- B.3 Figure B.2 shows how each update to data or methodology affects the annual budget gap in each decade. The change is largest in the final two decades of the projections.

¹¹³ Scottish Fiscal Commission (2023) [Fiscal Sustainability Report – March 2023](#)

The changes for each year of the projection period are shown in Supplementary Figure S.18.

Figure B.2: Changes in annual budget gap projection since our March 2023 FSR, 2030-31 to 2070-71

Share of total spending (per cent)	2030-31	2040-41	2050-51	2060-61	2070-71
2023 FSR annual budget gap	-0.4	-1.9	-1.8	-1.8	-2.5
Population projection	-0.3	-1.5	-2.3	-2.1	-1.4
Economy projection	0.0	-0.1	-0.1	-0.6	-0.9
Forecast updates	0.5	2.8	4.1	5.2	5.6
New spending profiles	0.1	-0.6	-1.2	-1.3	-1.4
Other updates	-0.1	-0.7	-0.7	-0.2	0.0
2025 FSR annual budget gap	-0.1	-1.9	-2.0	-0.8	-0.5
Total change	0.3	-0.1	-0.2	1.0	2.0

Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2023) [Fiscal Sustainability Report – March 2023](#).

Population projection

B.4 As we explain in [Chapter 2](#), we use principal variants of the ONS 2022-based projections of the UK and Scottish populations, published in January 2025.¹¹⁴ Updated population projections change the annual budget gap by an average of minus 1.6 percentage points in each year, excluding the effects on income tax and social security.

Economy projection

B.5 We have updated our projection of Scottish GDP to reflect the 2025 population projections and a minor change to our productivity assumption. We have also produced our own projection of UK GDP, as the OBR's September 2024 Fiscal risks and sustainability report does not reflect the January 2025 ONS population projections.¹¹⁵

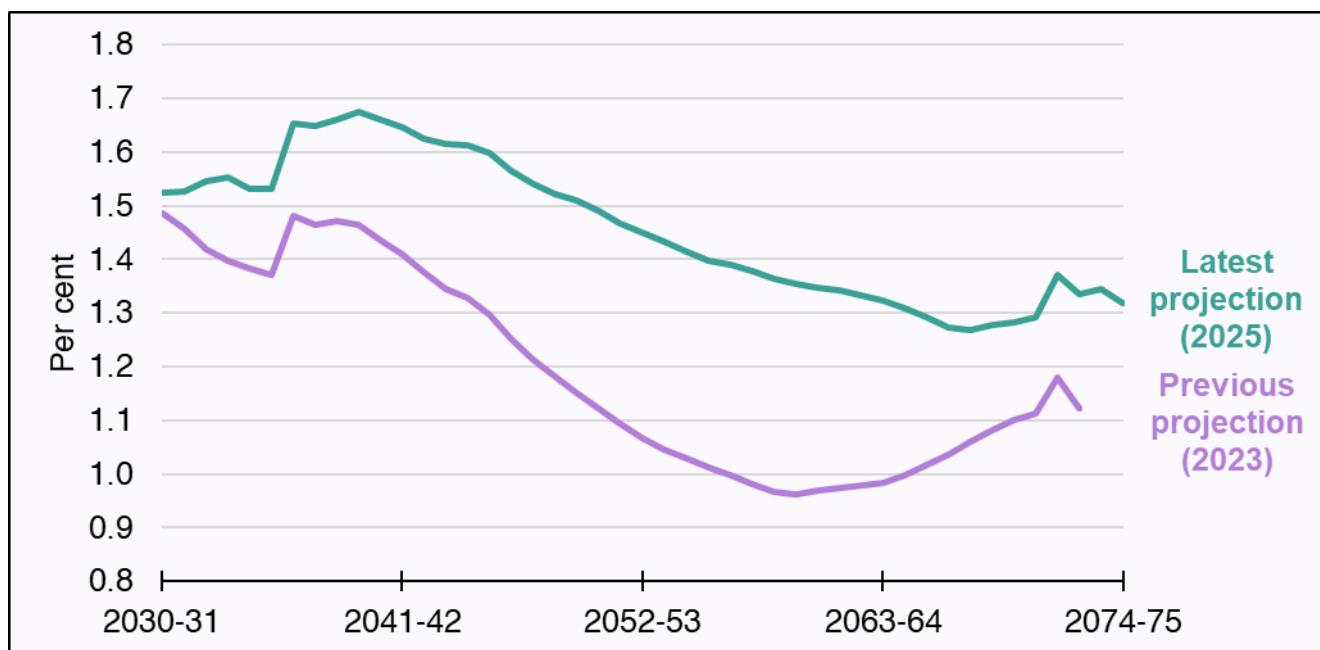
B.6 Projected annual GDP growth is on average 0.3 percentage points higher than our 2023 FSR, with the difference being mainly because of faster population growth. Figure B.3 compares our 2023 FSR and 2025 FSR projections of Scottish GDP.

¹¹⁴ ONS (2025) [National population projections: 2022-based](#)

¹¹⁵ OBR (2024) [Fiscal risks and sustainability – September 2024](#)

Figure B.3: Projected Scottish GDP growth, 2030-31 to 2074-75

Scottish GDP to grow faster than projected in 2023, caused by a larger labour supply



Description of Figure B.3: Line chart showing projected Scottish GDP growth rate from 2030-31 to 2074-75, in our latest projection and in our 2023 FSR. Over the next fifty years both lines have the same shape, with a sharp increase in 2036-37, but in our 2025 projection the growth rate is consistently higher, by 0.1 to 0.4 percentage points a year depending on the period.

Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2023) [Fiscal Sustainability Report – March 2023](#).

B.7 We have updated our projections of productivity and inflation in line with the OBR’s September 2024 Fiscal risks and sustainability report.¹¹⁶ These assumptions are largely the same as in 2023. In our 2023 FSR we assumed productivity growth would be 1.4 per cent a year until 2035-36. Now we assume it will 1.3 per cent year until 2035-36. In both our 2023 and 2025 projections, we assume it is 1.5 per cent year thereafter. These assumptions are the same in Scotland and the UK.

B.8 These changes to the economic projections change the annual budget gap by an average of minus 0.3 percentage points in each year, excluding economy effects through income tax and social security.

Forecast updates

B.9 We have updated the five-year forecasts which give the starting point for the long-term projections. These reflect the OBR’s November 2024 Economic and fiscal outlook, HM Treasury’s 2024 Autumn Budget, our December 2024 SEFF, the 2024-25 Scottish Budget, and our January 2025 costing of the two-child limit mitigation.¹¹⁷

¹¹⁶ OBR (2024) [Fiscal risks and sustainability – September 2024](#)

¹¹⁷ OBR (2024) [Economic and fiscal outlook – October 2024](#), HM Treasury (2024) [Autumn Budget 2024](#), Scottish Fiscal Commission (2024) [Scottish Economic and Fiscal Forecasts – December 2024](#), Scottish Government (2024) [Scottish Budget 2025-26](#), and Scottish Fiscal Commission (2025) [Mitigating the two-child limit and the Scottish Budget](#).

- B.10 These new forecasts update our outlook for spending and funding for the first five years preceding the long-term projection. The updated forecasts mean that the projection of funding is higher, because of increases in the five-year Block Grant forecast as a result of increased UK Government spending.
- B.11 The projection of total spending is lower than in 2023 as spending on health makes up a lower share of spending in the first year of our projection. The Scottish Government suggested that health spending would grow by 4 points per year in the 2023 Medium-Term Financial Strategy.¹¹⁸ We have matched that assumption in this report.
- B.12 All other areas of spending grow in the first five years of the projection, compared with those areas falling in our 2023 FSR. This means that total spending grows more slowly after the first five years, as health is a smaller share in total spending than it was in our 2023 FSR.
- B.13 Together, the updates to the five-year forecasts change the annual budget gap by an average of plus 3.7 percentage points in each year.

New health spending data

- B.14 We analyse trends in the health of the Scottish population compared to the UK population in [Chapter 4](#).
- B.15 [Annex A](#) discusses our new spending profiles for health and social care spending in Scotland, and describes our new approach to projecting demographic spending with changes to life expectancy.
- B.16 These data updates and changes in how we project health spending change the annual budget gap by an average of minus 0.9 percentage points in each year.

Other updates

- B.17 Other updates change the projected annual budget gap by minus 0.4 percentage points each year on average.
- B.18 Most of this change is caused by the updated income tax and social security projections. We model income tax and social security separately from our main FSR model, and so updates to these models are not included in the changes explained above. These updates change the annual budget gap projection by an average of 0.2 percentage points in each year.
- B.19 We have also made some minor model changes included in other updates. In our 2023 FSR, we used a slightly different approach in modelling the demographic components of our spending and Block Grant projections. The approach is now aligned. These model updates change the projection by an average of minus 0.5 percentage points in each year.

¹¹⁸ Scottish Government (2023) [The Scottish Government's Medium-Term Financial Strategy](#)

Additional Information

Abbreviations

ADP	Adult Disability Payment
APS	Annual Population Survey
BGA	Block Grant Adjustment
CDP	Child Disability Payment
COSLA	Convention of Scottish Local Authorities
COVID-19	Coronavirus-19
DWP	Department for Work and Pensions
EFO	Economic and fiscal outlook
FSR	Fiscal Sustainability Report
GDP	Gross Domestic Product
HCHS	Hospital and Community Health Services
LA	Local Authority
MLC	Multiple Life Circumstances
NHS	National Health Service
NRAC	National Resource Allocation Formula
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
PADP	Pension Aged Disability Payment
PHS	Public Health Scotland
PIP	Personal Independence Payment
SEFF	Scotland's Economic and Fiscal Forecasts
SFC	Scottish Fiscal Commission
SPA	State Pension Age

A full glossary of terms is available on our website: [Glossary | Scottish Fiscal Commission.](#)

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The Commission is committed to fulfilling our role as an Independent Fiscal Institution, in line with the principles set out by the Organisation for Economic Cooperation and Development (OECD).¹¹⁹

The Commission also seeks to adhere to the highest possible standards for analysis. While we do not produce official statistics, we voluntarily comply as far as possible with the UK Statistics Authority's Code of Practice for Statistics. Further details and our statement of voluntary compliance can be found on our website.¹²⁰

Correspondence and enquiries

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All charts and tables in this publication have also been made available in spreadsheet form on our website. For technical enquiries about the analysis and data presented in this paper please contact the responsible analyst:

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¹¹⁹ OECD (2014) [Recommendation on Principles for Independent Fiscal Institutions](#)

¹²⁰ Scottish Fiscal Commission (2022) [Statement of Voluntary Compliance with the Code of Practice for Statistics and Error Policy](#)

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ISBN: 978-1-911637-79-0

Published by the Scottish Fiscal Commission, April 2025