

Collete Stevenson MSP
Convener
Social Justice and Social Security Committee

The Scottish Parliament
Edinburgh
EH99 1SP

29 May 2025

Dear Convener,

Today the Scottish Fiscal Commission published [Scotland's Economic and Fiscal Forecasts – May 2025](#), giving our latest forecasts for the economy, tax revenues and social security, alongside commentary on the funding implications of these forecasts.

In our report we show that, the total funding available to the Scottish Government in 2025-26 will be £59.6 billion, almost £0.8 billion higher than in our December 2024 forecast. The funding available for day-to-day spending is estimated to grow by 1.9 per cent in real terms in 2026-27. Growth slows to 0.6 per cent in 2027-28 and then returns to an average of 1.6 per cent over the remaining three years of the forecast. Despite this growth, the pressures on the Scottish Government's budget remain significant.

Recent UK Government announcements which reduce spending on Personal Independence Payment (PIP) in England and Wales are expected to reduce funding for the Scottish Government by £0.4 billion in 2029-30. This funding pressure comes on top of existing Scottish Government commitments on social security spending. By 2029-30, spending on social security will now be £2 billion more than the associated funding, reducing the money available for other areas.

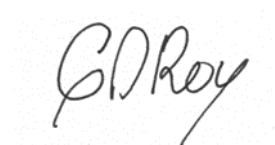
We forecast spending on devolved social security payments will increase from £6.9 billion in 2025-26 to £9.4 billion in 2030-31. Spending increases over time because of annual uprating of payment rates in line with inflation and from rising numbers of people receiving disability and carer's payments.

Compared to December 2024, our social security forecast for 2029-30 is £190 million higher. The most substantial change in our forecast is the increase in spending because of the two-child limit mitigation payment, which will be introduced in 2026-27. This was announced at the Scottish Budget in December 2024. This was not in our December 2024 forecast report as we were notified after the final policy deadline when it was too late for us to include. We published a costing in January 2025.

We will publish a follow up report on 25 June 2025 to accompany the publication of the Scottish Government's Medium-Term Financial Strategy.

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

Yours sincerely

A handwritten signature in black ink, appearing to read "GDRoy".

Professor Graeme Roy