Scotland's Economic and Fiscal Forecasts

May 2025

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Any enquiries regarding this publication should be sent to us at: Scottish Fiscal Commission, Governor's House, Regent Road, Edinburgh EH1 3DE or info@FiscalCommission.scot

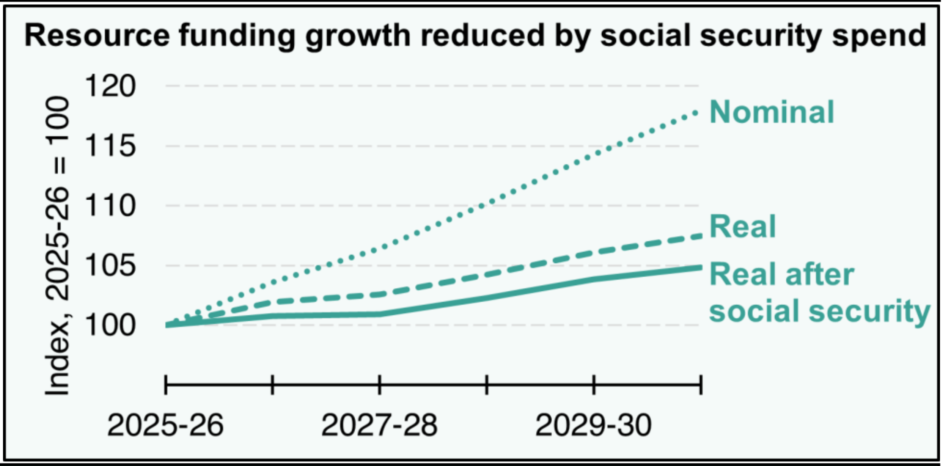
ISBN: 978-1-911637-81-3

Published by the Scottish Fiscal Commission, May 2025

Laying number: SFC/2025/4

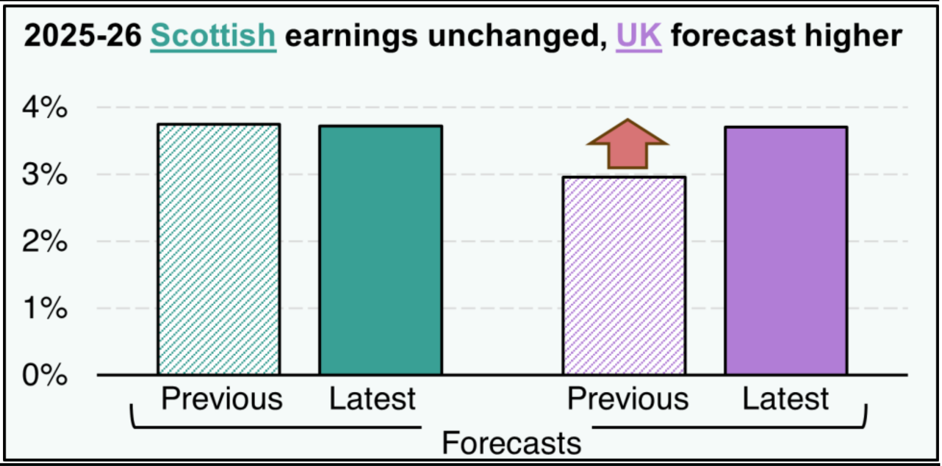
Fiscal Overview

Resource funding is over £52 billion in 2025-26 and covers day-to-day costs such as social security payments and staff pay. After inflation, it is forecast to grow 7 per cent by 2030-31. After social security spending, this drops to 5 per cent.



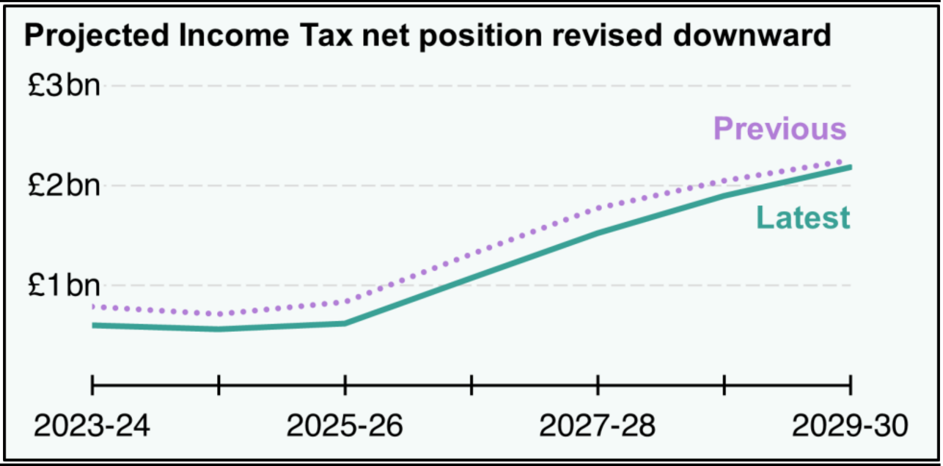
Economy

Our forecast of Scottish nominal earnings growth in 2025-26 is broadly unchanged from that we produced last December. On the other hand, the OBR's forecast of growth for the UK has been revised upward by 0.8 percentage points. This feeds through to the Income Tax net position.



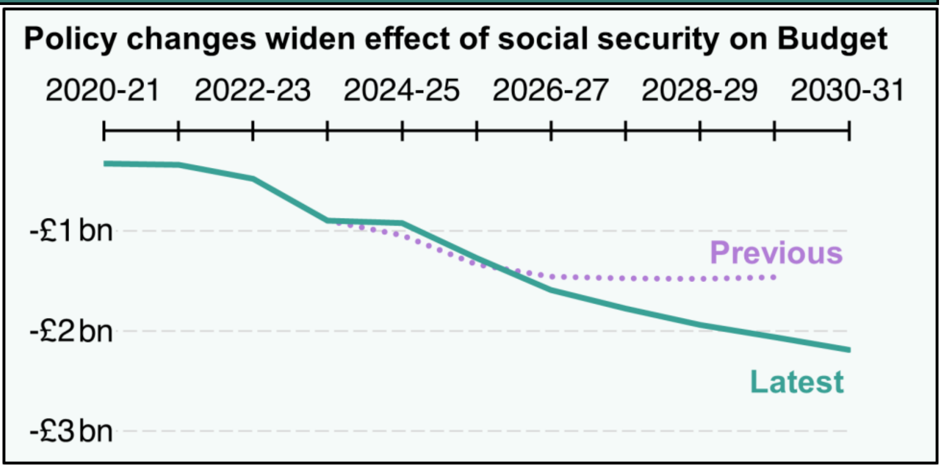
Tax

The Income Tax net position – the net funding for the Scottish Government from Income Tax – remains positive but is around £180 million a year lower compared with the December projection. This is largely because of changes in the Block Grant Adjustment due to the OBR forecast.



Social security

The effect of social security spending on the Budget has widened by £0.6 billion in 2029-30; £0.2 billion because of the Scottish Government's two-child limit mitigation policy and £0.4 billion because of UK Government policies that will reduce Block Grant Adjustment funding.



	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Budget funding, £ million (nominal)							
Total funding	55,504	59,561	61,302	63,091	65,138	67,356	69,363
Resource funding	49,298	52,193	54,077	55,532	57,513	59,641	61,557
Capital funding	6,206	7,368	7,225	7,559	7,625	7,715	7,807
Budget funding, per cent growth (real)							
Total funding		4.5	1.2	0.9	1.3	1.5	1.1
Resource funding		3.1	1.9	0.6	1.6	1.8	1.3
Capital funding		15.7	-3.5	2.5	-1.1	-0.7	-0.7
Economy, per cent growth							
Real GDP	1.2	1.2	1.8	1.7	1.6	1.6	1.6
Consumer Prices Index	2.3	3.2	1.9	2.0	2.0	2.0	2.0
Average real earnings	1.6	1.0	0.9	1.0	0.9	0.9	1.0
Employment	0.2	0.1	0.6	0.5	0.4	0.4	0.4
Tax, £ million (nominal)							
Income Tax	18,992	20,495	21,901	23,139	24,186	25,288	26,428
NDR	3,155	3,099	3,551	3,510	3,564	3,861	3,825
LBTT	898	1,029	1,093	1,138	1,187	1,240	1,297
SLfT	53	38	24	24	25	25	26
Social security, £ million (nominal)							
Total spending	6,122	6,874	7,658	8,094	8,498	8,944	9,405

Foreword

The Scottish Fiscal Commission (SFC) 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. Our forecasts represent the collective view of the Scottish Fiscal Commission, comprising the four Commissioners. We take full responsibility for the judgements that underpin them.

We started work on these forecasts after the Scottish Government notified us that it would publish its Medium-Term Financial Strategy (MTFS) on 29 May 2025. On 6 May the Government informed us that it was considering delaying publication and on 13 May confirmed that it would publish the MTFS on 25 June 2025. As all the necessary analysis and engagement had taken place, we decided to publish our forecasts on 29 May 2025 as originally planned.

We would like to thank the hard-working staff of the SFC for their support in the production of our forecasts and underpinning analysis. We would also like to thank officials from the Scottish Government, Revenue Scotland, Social Security Scotland, the DWP, HM Treasury, HMRC, and the OBR for their constructive challenge of our judgements and for ensuring that we considered all the available evidence.

Professor Graeme Roy	Professor Francis Breedon
Professor Domenico Lombardi	Professor David Ulph

29 May 2025

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Summary

Introduction

1 This report sets out our latest five-year economic and fiscal forecasts. The Scottish Government’s decision to delay the publication of its Medium-Term Financial Strategy (MTFS) and Fiscal Sustainability Delivery Plan (FSDP) until 25 June 2025 means we have based our forecasts on the latest public information from the Scottish Government.

2 We will publish an update report on 25 June 2025, alongside the Government’s MTFS and FSDP, that restates our forecasts and includes any new tax and social security policy changes made by the Scottish Government.

Fiscal Overview

Total funding

3 Total funding in 2025-26 is £59.6 billion, almost £0.8 billion higher than in our December 2024 forecast. This increase is because of additional UK Government funding and the Scottish Government now drawing down from the Scotland Reserve. Funding in 2025-26 is now forecast to be 7.3 per cent higher than in 2024-25 in nominal terms and 4.5 per cent higher in real terms. Total funding is then forecast to grow in both nominal and real terms in each of the next five years.

4 Since December 2024 the Block Grant has changed following the UK Supplementary Estimates 2024-25, Spring Statement 2025, and the 2025-26 Main Estimates. The Scottish Government has confirmed the level of borrowing in 2024-25, and it will likely add £200 million to the Scotland Reserve in 2024-25 to support extra spending in 2025-26.

5 We have had to make some assumptions to update the funding position in future years. The UK Spending Review on 11 June 2025 will confirm how the UK Government plans to allocate spending between departments. We have assumed that spending in devolved areas grows broadly in line with planned total growth in departmental budgets, with an adjustment to capital spending for announcements on defence spending. However, should the UK Government choose to allocate less to devolved areas, such as by further prioritising defence, it will result in funding being lower than we forecast.

6 Focusing on the next five years, resource funding, used for day-to-day running costs, is forecast to grow by 1.9 per cent in real terms in 2026-27. Growth slows to 0.6 per cent in 2027-28, partly because of the projected Income Tax reconciliation being larger than the borrowing limit. Growth then returns to an average of 1.6 per cent over the remainder of the forecast period.

7 Growth in capital funding is more variable. The expansion of capital spending in the 2024 UK Budget led to a significant increase between 2024-25 and 2025-26. In nominal terms this increase is now 18.7 per cent. Other than in 2026-27, capital funding still grows in nominal terms over the forecast horizon. However, after accounting for inflation we expect real terms reductions in the last three years of the forecast, as growth in UK Government funding slows while we assume Scottish Government borrowing plans are held constant at £300 million a year.

Figure 1: Funding outlook

£ million (nominal terms), unless specified	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Total funding	55,504	59,561	61,302	63,091	65,138	67,356	69,363
Nominal terms growth rate (per cent)		7.3	2.9	2.9	3.2	3.4	3.0
Real terms growth rate (per cent)		4.5	1.2	0.9	1.3	1.5	1.1
Resource funding	49,298	52,193	54,077	55,532	57,513	59,641	61,557
Nominal terms growth rate (per cent)		5.9	3.6	2.7	3.6	3.7	3.2
Real terms growth rate (per cent)		3.1	1.9	0.6	1.6	1.8	1.3
Capital funding	6,206	7,368	7,225	7,559	7,625	7,715	7,807
Nominal terms growth rate (per cent)		18.7	-1.9	4.6	0.9	1.2	1.2
Real terms growth rate (per cent)		15.7	-3.5	2.5	-1.1	-0.7	-0.7

Source: Scottish Fiscal Commission, Scottish Government.

Real terms growth rates calculated using the OBR’s March 2025 forecast of Gross Domestic Product (GDP) deflator growth.

Resource funding

8 Over the period 2025-26 to 2030-31, resource funding is expected to grow by nearly 18 per cent in nominal terms. After adjusting for inflation, the growth is 7 per cent. Devolved social security, which is taking up an increasing share of the resource budget, leads to lower real terms growth of 5 per cent over the next five years for all other areas of resource spending.

Funding risks

9 Our forecasts of Block Grant funding from 2026-27 onwards are based on the Office for Budget Responsibility (OBR) forecasts of total UK Government departmental budgets. The Block Grant depends on levels of UK Government spending in devolved areas, and the UK Spending Review on 11 June 2025 will set funding levels for 2026-27 to 2028-29. How much funding in these years differs from current forecasts will depend on how the UK Government chooses to allocate its spending between devolved and reserved areas.

10 The tax net position is positive, contributing additional funding to the Scottish Budget over the next five years. Compared with December 2024, there have been small downward revisions to the projection of the tax net position. The projected Income Tax net position is the largest component, and its relative importance grows over time. This is mainly because of policy divergence between Scotland and the rest of the UK, and partly because the OBR forecasts materially lower earnings growth for the UK from 2026-27 than we do for Scotland. If the gap between Scottish and UK earnings turns out to be smaller, then there is a risk that the Income Tax net position will be less positive than currently projected. This could happen if, for example, the OBR revises up earnings growth forecasts for later years as it has done for 2025-26.

11 There is a large negative reconciliation of £851 million currently projected for 2027-28 relating to the 2024-25 Income Tax net position. This is largely because the Block Grant Adjustment (BGA) has increased by substantially more than our Scottish Income Tax forecast since the 2024-25 Budget was set in December 2023. The reconciliation has become more negative since December 2024 when we projected it at minus £701 million. If a reconciliation of this scale materialises, it will exceed the borrowing limit, which is currently forecast to be £663 million. Therefore, resource funding in 2027-28 may be reduced even if the Scottish Government makes full use of its borrowing powers.

12 The Income Tax net position for 2025-26 was fixed when the Budget was set in December 2024. Our forecast for 2025-26 has remained broadly steady, whereas the BGA for 2025-26 has increased, largely because of the OBR updating its earnings forecast. In December 2024 we highlighted how our forecasts of earnings growth were higher for Scotland than the OBR's for the UK as a whole, with an asymmetric downside risk to the projections of the Income Tax net position from 2025-26 onwards. While there will be no effect on funding until 2028-29, the change in the projected net position suggests the risk we highlighted has materialised.

Spending pressures

13 The Scottish Government has decided to delay the MTFS and FSDP to 25 June 2025 to have more clarity on its funding outlook following the UK Spending Review on 11 June 2025. This means that we must wait for its spending plans and the comparison to available funding.

14 As we noted in our last Fiscal Sustainability Report, there are several pressures emerging in key areas of policy such as health and social care because of the population ageing.[1] Meeting net zero obligations will also require difficult spending decisions.[2] The Scottish Budget needs to be broadly balanced every year so prioritising spending in a particular area means less funding is available for other devolved responsibilities.

15 Pay and workforce are major and immediate pressures on the Scottish Budget. Pay deals reached so far in 2025-26 have been above the Scottish Government's Public Sector Pay Policy of 3 per cent in 2025-26 (9 per cent over three years).[3] This is likely to create a pressure for pay awards to be higher than planned for other workforces still negotiating.

16 The UK Government set 2025-26 day-to-day spending plans in its Autumn Budget 2024 with an assumed 2.6 per cent rise in wages, in line with the OBR's October 2024 forecast of CPI inflation for that year.[4] Since then UK departments had budgeted for an increase of 2.8 per cent in 2025-26.[5]

[1] Scottish Fiscal Commission (2025) Fiscal Sustainability Report – April 2025.

[2] Scottish Fiscal Commission (2024) Fiscal Sustainability Perspectives: Climate Change.

[3] The Scottish Government's PSPP sets out that any employer not agreeing a three-year pay deal would be restricted to a maximum 3 per cent uplift for 2025-26. Two of the key deals so far are two-year pay deals and exceed 3 per cent in 2025-26. Scottish Government (2024) Scottish Budget 2025 to 2026: public sector pay policy.
For example, most nurses and NHS workers in Scotland have agreed a pay rise of 4.25 per cent in 2025-26 and 3.75 per cent in 2026-27. There is also a guarantee that the pay rise will be 1 percentage point above CPI inflation. Therefore, if inflation in 2025 is higher than 3.25 per cent, there will be an additional pay increase and higher costs to the Scottish Government. Scottish Government (2025) NHS staff pay.
ScotRail, now under public ownership, agreed to a pay rise of 3.6 per cent in 2025-26, with the potential for an increase above 3 per cent in 2026-27. Specifically, the ScotRail pay deal for 2026-27 is 3 per cent or the January 2026 Retail Prices Index (RPI), whichever is higher. Unite (2025) Scotrail workers accept two-year pay offer.

[4] HM Treasury (2024) Economic Evidence to the Pay Review Bodies: 2025-26 Pay Round.

[5] 2.8 per cent is the affordability remit most departments provided to the public sector Pay Review Bodies for 2025-26 pay awards. OBR (2025) Economic and fiscal outlook – March 2025 (Paragraph 5.30).

17 The UK Government uses Pay Review Bodies (PRBs) to inform pay increases for most parts of the public sector in the rest of the UK, including areas devolved to Scotland. Most PRBs reported on 22 May 2025.[6] The PRBs' recommendations all exceeded 2.8 per cent. Other than for the judiciary, the UK Government has accepted these recommendations in full.[7] The offers from the UK Government have not yet been agreed with the relevant unions.

18 The level of funding which the Scottish Government receives depends on the level of UK pay rises eventually agreed and the approach taken by the UK Government to funding these. Specifically, it depends on whether pay increases over and above the current UK budget plans are funded from new, additional money, or from existing departmental resources. The UK Spending Review on 11 June 2025 will confirm whether any more funding is made available to departments to meet these higher costs. The Scottish Government will need to balance its approach to pay and workforce against the funding it receives as a result of UK Government pay deals, and plan for how to handle the possibility that its paybill is growing faster than funding.

19 Pay challenges are made more difficult by the increases in employer National Insurance Contributions (NICs) from 2025-26. The Scottish Government has received £339 million through the Block Grant. This is between 47 and 63 per cent of the cost to the devolved public sector workforce depending on definition. The remaining cost will need to be met from the wider Budget, and the funding and spending implications are still to be confirmed by the Scottish Government. In addition, larger pay rises will widen the difference between the costs to the Scottish Budget associated with the tax measure and the corresponding funding.

20 Extra pressures have been added by commitments made in the recent 2025-26 Programme for Government, such as the permanent removal of peak-time rail fares. This will come into effect from September 2025 but was not included in the 2025-26 Budget Bill passed by Parliament in February 2025. The Scottish Government has not set out the cost of the policy, but the evaluation of the pilot indicated a cost of around £40 million a year, implying additional spending of at least £20 million in the current financial year.[8]

21 The 2025-26 resource funding position has increased by £764 million since December 2024. The 2025-26 Autumn Budget Revision should confirm how this is being allocated to fund additional commitments such as pay increases and the removal of peak fares, as well as the employer NICs increases.

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[6] NHS Pay Review Body (2025) NHS Pay Review Body Thirty-Eight Report: 2025, Prison Service Pay Review Body (2025) PSPRB Twenty-Fourth Report on England and Wales 2025, School Teachers' Review Body (2025) School Teachers' Review Body 35th report: 2025, Review Body on Doctors' and Dentists' Remuneration (2025) Review Body on Doctors' and Dentists' Remuneration Fifty Third Report: 2025, Review Body on Senior Salaries (2025) Senior Salaries Review Body Report: 2025, Armed Forces' Pay Review Body (2025) Armed Forces' Pay Review Body: Fifty-Fourth Report 2025.

[7] The recommendation for the judiciary was 4.75 per cent, and the UK Government has offered 4 per cent. UK Parliament (2025) Written statements issued on 22 May 2025: Armed Forces Workforce, Civil Service Workforce, NHS Workforce, Teacher Workforce, MoJ: Judiciary and Prison Officers Workforce.

[8] Transport Scotland (2024) ScotRail Peak Fares Removal Pilot – Final Evaluation Report – August 2024.

22 The risk to the budget from rising social security spending has been a consistent theme in our previous reports. Recent UK Government announcements on its plans to reduce spending on Personal Independence Payment (PIP) in England and Wales will reduce funding for the Scottish Government by £0.4 billion in 2029-30.

23 The UK Government welfare changes announced in March 2025 reduced the spending and associated funding the Scottish Government will receive. However, there has been some recent discussion of UK Government policies which would increase spending, such as making more people eligible for the Winter Fuel Payment.[9] If there are changes to devolved areas of social security which increase spending in England and Wales, then funding for the Scottish Government would increase.

24 UK Government policy changes in devolved areas affect the Scottish Budget. Where the UK Government increases spending in devolved areas this provides additional funding, but any reductions in spending will reduce the funding available to the Scottish Government. As the UK Government addresses its own fiscal sustainability challenges in the coming decades, this will have implications for the Scottish Budget. Our work on fiscal sustainability has demonstrated how fiscal sustainability challenges that are common to both Scotland and the rest of the UK eventually feed through to the Scottish Government's finances.

25 We expect the Scottish Government's MTFS and FSDP to discuss these short-, medium-, and long-term pressures. We will provide initial commentary alongside the publications in June 2025, and a fuller discussion in our Fiscal Update in August 2025. All these publications will inform parliamentary pre-Budget scrutiny in the autumn.

Capital funding

26 Following a large increase of almost 16 per cent in real terms capital funding in 2025-26, funding is forecast to fall from £7.4 billion in 2025-26 to £7.2 billion in 2026-27. This is because the Scottish Government's planned capital borrowing is lower in 2026-27 and there are no plans at this point for use of ScotWind proceeds in 2026-27 and beyond.[10] The funding position increases in nominal terms from 2027-28 onwards and reaches £7.8 billion by 2030-31, but after accounting for inflation this equates to a real terms fall in each of the last three years of the forecast.

27 The Scottish Government has revised down borrowing for 2024-25 to £139 million from £300 million.[11] For 2025-26 we assume the Scottish Government borrows the maximum possible, £472 million, as planned in December 2024, and then borrows £300 million in all subsequent years. We expect the MTFS in June 2025 to include details of the Scottish Government's latest borrowing plans, and we will provide our formal assessment on the same day.

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[9] UK Parliament (2025) Engagements – Hansard.

[10] The borrowing plans presented here for 2026-27 and beyond are unchanged from those set out alongside the 2025-26 Scottish Budget. We assume no further use of ScotWind funds in 2026-27 and beyond.

[11] Scottish Government (2025) Implementation of the Scotland Act 2016: ninth annual report.

28 We also highlight that there have been several delays to the Scottish Government's planned publication of its infrastructure investment pipeline. Without a published pipeline of projects to consider, the Scottish Parliament has been constrained in its scrutiny of capital plans. This point has been raised by the Finance and Public Administration Committee in its report on the 2025-26 Scottish Budget.[12]

Economy

29 Since our December 2024 forecast, ongoing developments in international trade policy have created significant uncertainty and volatility. There have been various announcements of new tariffs in the US and elsewhere, some of which have been delayed or withdrawn, and new trade deals are being agreed. All these changing announcements have made forecasting trade and the wider effects of tariffs difficult. Even if the volatility were to reduce, the uncertainty about whether any future trade regime will persist remains.

30 To create a stable and coherent forecast, we have aligned our economy assumptions with the OBR's March 2025 central forecast. This includes the economic impact of the increased policy uncertainty in the run-up to January 2025, without directly adjusting for any specific tariffs introduced since January. We note these global trade developments as a downside risk to our forecast. We have considered the potential effects of tariffs through scenarios in Box 3.1.

31 As Figure 2 shows, there are minor changes in the economy forecast in this report compared with our December 2024 outlook.

32 We forecast growth in Gross Domestic Product (GDP) of 1.2 per cent in 2025-26, lower than the 1.6 per cent we expected in December. This mainly reflects slower GDP growth at the end of 2024 compared with our last forecast. Rising global uncertainty, together with other factors such as higher inflation and interest rate expectations, contributed to weaker consumer and business sentiment and lower economic activity in late 2024.

33 Inflation is forecast to be higher in 2025-26 than we expected in December 2024. Our forecast of inflation for 2025-26 is 3.2 per cent, peaking in the third quarter of the year. This is broadly consistent with the latest inflation figure for April 2025 of 3.5 per cent. We then expect inflation to return to the Bank of England's 2 per cent target by mid-2026.

34 The labour market has remained on track with our expectations in December 2024, with broadly flat employment growth. While still relatively strong, earnings growth has slowed from last year as vacancies have fallen from their recent record-high levels, reducing pressure on wages.

35 From 2026-27 onwards, both GDP and employment growth rates are slightly higher than in our December 2024 forecast, consistent with the higher migration and faster population growth in the new population projections published by the Office for National Statistics in January 2025. New migration data for the UK was published after our data cut-off for these forecasts. We will consider the latest migration data and UK Government policy changes for our forecasts alongside the 2026-27 Scottish Budget.

[12] Finance and Public Administration Committee (2025) Budget Scrutiny 2025-26.

Figure 2: Headline economy forecasts, growth rate

Per cent	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
GDP							
December 2024	1.2	1.6	1.5	1.4	1.4	1.4	
May 2025	1.2	1.2	1.8	1.7	1.6	1.6	1.6
CPI inflation							
December 2024	2.3	2.6	2.2	2.1	2.1	2.0	
May 2025	2.3	3.2	1.9	2.0	2.0	2.0	2.0
Average nominal earnings							
December 2024	4.3	3.7	2.8	2.9	2.9	2.9	
May 2025	4.5	3.7	2.9	3.0	2.9	3.0	3.0
Employment							
December 2024	0.2	0.1	0.3	0.3	0.3	0.2	
May 2025	0.2	0.1	0.6	0.5	0.4	0.4	0.4

Source: Scottish Fiscal Commission – Scotland's Economic and Fiscal Forecasts.

Tax

36 Our forecasts are similar to December 2024, with any changes largely coming from data we have received since December and updates to our economy forecasts.

37 Since December 2024, we have revised down our forecast of Scottish Income Tax in 2023-24 based on information we have received on growth in tax paid through Self Assessment. We have also lowered our forecast for 2024-25 because Pay As You Earn Real Time Information data showed slower growth than we expected. From 2025-26 onwards our forecast has increased, largely because of faster forecast growth in earnings and employment.

38 As in December, the profile of our Non-Domestic Rates forecast shows big increases in 2026-27 and 2029-30 because there will be new valuation rolls in 2026 and 2029. We have also revised down our appeals loss assumption which increases revenue across the forecast period, although by a greater amount in the near term.

39 For Land and Buildings Transaction Tax we are expecting prices and transactions volumes to continue to rise as we have seen in 2024-25. From 2025-26 onwards our forecast exceeds £1 billion each year. As in previous forecasts, our forecast of Scottish Landfill Tax shows a downward trend, largely caused by the introduction of the Biodegradable Municipal Waste ban on 31 December 2025.

40 The projected Income Tax net position has decreased slightly since December 2024 for all years. The decreases in 2023-24 and 2024-25 are because of revisions to our Scottish Income Tax forecast. From 2025-26 onwards there has been a larger upward revision to the BGA than to our revenue forecast, which leads to the lower projected net position. The main reason for this is that the OBR has increased its forecast of earnings growth in 2025-26.

Figure 3: Latest changes to projected Income Tax net position and underlying forecasts

£ million	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Scottish Income Tax							
December 2024	17,315	19,099	20,477	21,782	22,980	23,913	24,930
May 2025	17,072	18,992	20,495	21,901	23,139	24,186	25,288
Change	-243	-107	18	119	159	273	358
Income Tax BGA							
December 2024	-16,527	-18,389	-19,639	-20,468	-21,207	-21,862	-22,675
May 2025	-16,468	-18,431	-19,879	-20,830	-21,614	-22,287	-23,107
Change	59	-42	-240	-361	-407	-425	-432
Net position							
December 2024	788	711	838	1,314	1,774	2,051	2,255
May 2025	604	562	616	1,072	1,526	1,899	2,182
Change	-184	-149	-222	-242	-248	-152	-74

Source: Scottish Fiscal Commission, Scottish Government.

Positive figures for the net position represent added funding to the Scottish Budget, where the BGA reduces funding by less than the tax revenue raised.

Figures may not sum because of rounding.

41 As we have highlighted in previous reports, our forecast of Scottish earnings growth continues to be higher than the OBR's UK forecast from 2026-27 onwards, and this contributes to a rising net position, as Figure 3 shows. If the gap between Scottish and UK earnings turns out to be smaller, or if Scottish earnings growth is slower, then the net position would be lower. We continue to judge this to be an asymmetric and downside risk to the net position.

42 We are projecting a large negative reconciliation of £851 million to be applied in the 2027-28 Scottish Budget. This is largely because the BGA has increased substantially more than our Scottish Income Tax forecast since the 2024-25 Scottish Budget was set. Underlying this are the outturn data for 2022-23 and revisions to the OBR’s earnings forecast. Both increased the BGA relative to Income Tax revenue.

43 Our latest illustrative estimate of a ‘policy-only’ Income Tax net position for 2025-26 is £1,674 million. This shows, all else equal, how much more funding the Scottish Budget could have with the current Scottish Income Tax rates and thresholds compared with those in place in the rest of the UK.

44 The actual projected Income Tax net position in 2025-26 is £616 million. The difference between the net position and the illustrative policy-only amount is £1,058 million in 2025-26. We refer to this figure as the ‘economic performance gap’ and it is largely because of slower aggregate earnings and employment growth in Scotland compared with the rest of the UK, alongside effects from Scottish and UK policies, taxpayer behaviour, and differences in the sectoral make-up of the Scottish economy and in the distribution of incomes between Scotland and the rest of the UK.

Social security

45 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, which accounts for £1.0 billion of the increase, and from rising numbers of people receiving disability and carer’s payments, which accounts for £1.3 billion of the increase.

46 Compared with our December 2024 forecast, spending has decreased by £56 million in 2025-26, but our forecast for 2029-30 is £190 million higher. Reductions to 2024-25 and 2025-26 are from updates to our Child Disability Payment forecast and incorporating the latest financial outturn. The most substantial change in our forecast is the increase in spending because of the two-child limit mitigation policy, which will be introduced in 2026-27. This policy was announced in the Scottish Budget in December 2024 but 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.[13] We published a costing in January 2025.[14]

47 We forecast spending on the policy to mitigate the two-child limit will be £156 million in 2026-27, rising to £199 million in 2029-30, with mitigation payments being made for around 50,000 children.

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

[14] Scottish Fiscal Commission (2025) Mitigating the two-child limit and the Scottish Budget.

Figure 4: Change in total social security spending since December 2024

£ million	2023-24 outturn	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
December 2024	5,330	6,224	6,930	7,471	7,922	8,321	8,754	
May 2025	5,330	6,122	6,874	7,658	8,094	8,498	8,944	9,405
Change since December 2024	0	-103	-56	187	173	176	190	

Source: Scottish Fiscal Commission.

Figures may not sum because of rounding.

Funding related to social security

48 The Scottish Government receives funding for social security from the UK Government through BGA. The amount of BGA funding is broadly based on outturn and forecast spending in England and Wales on equivalent payments. When the UK Government introduces a policy in England and Wales for a payment with an associated BGA, and that policy leads to a change in the level of spending, then there is a proportional effect on the level of BGA funding the Scottish Government receives.

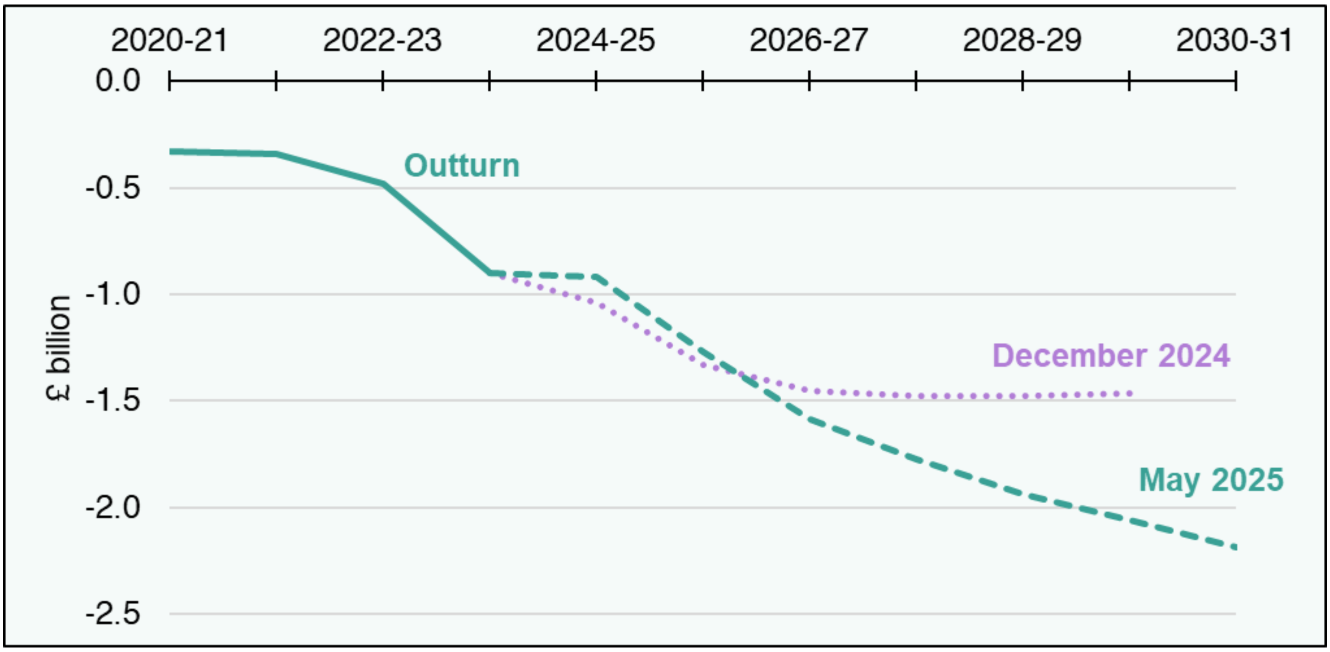
49 Social security spending above the BGA funding can be considered as the effect of social security devolution and policy changes on the Scottish Budget. This is estimated to increase to £2.1 billion in 2029-30. Figure 4 shows that, since December 2024, the effect of social security on the Scottish Budget has widened by £0.6 billion in 2029-30. This widening is the result of policy changes from the Scottish and UK Governments. Had there been no policy changes then the gap would have remained at around £1.4 billion in 2029-30.

50 The largest contribution to the change is from the UK Government's March 2025 announcement of a set of measures for incapacity and disability benefits. These measures are forecast by the OBR to reduce UK Government spending on welfare payments and funding transfers by £4.8 billion in 2029-30. Through the fiscal framework, this reduction in spending in England and Wales leads to a decrease in the funding the Scottish Government receives through the BGAs by £0.4 billion in 2029-30.

51 The other factor is the inclusion of the two-child limit mitigation policy which increases spending by £0.2 billion in 2029-30.

Figure 5: Effect of latest social security spending forecast on the Scottish Budget, compared with December 2024 forecast

UK and Scottish Government policy changes widen the social security effect on the Scottish Budget



Description of Figure 5: Line chart showing the effect of social security spending on the Scottish Budget under our previous estimate (published in December 2024) and our latest estimate (published in May 2025). Latest policy decisions are expected to widen the effect of social security spending on the Scottish Budget by £0.6 billion in 2029-30.

Source: Scottish Fiscal Commission, Scottish Government.

BGAs before 2023-24 have not yet been updated to take account of revised population estimates.

The 2030-31 BGA has been estimated by the Scottish Fiscal Commission, whereas specific payment BGA estimates up to 2029-30 have been agreed by the Scottish Government and HM Treasury.

Chapter 1 Introduction

Content of this report

1.1 In this report, published on 29 May 2025, we present our latest five-year economic and fiscal forecasts. We create our forecasts independently, representing the collective judgements of our Commissioners.

1.2 In this chapter we explain the process we have followed in the creation of our forecasts and how the different elements of our forecasts relate to the Scottish Government's Budget.

1.3 This report contains the following chapters:

Chapter	Description
Summary	A summary of our economic and fiscal forecasts, the fiscal overview, and the key points from the forecasts.
Chapter 1: Introduction	An outline of the structure and content of the document.
Chapter 2: Fiscal overview	A discussion of the latest funding outlook based on our forecasts and UK Government funding.
Chapter 3: Economy	Our five-year forecasts for the Scottish economy, including the underlying judgements.
Chapter 4: Tax	Our forecasts of devolved tax revenue.
Chapter 5: Social security	Our forecast of devolved social security spending.

1.4 Some additional information such as comparisons to our previous forecasts are in our supplementary figures accompanying this report and available on our website. If there is any information you are looking for that is not in this report or the supplementary figures, please get in touch with us at info@FiscalCommission.scot.

The process behind creating these forecasts

1.5 On 25 February 2025 we received notice from the Cabinet Secretary for Finance and Local Government of the publication of the Scottish Government's Medium-Term Financial Strategy (MTFS) on 29 May 2025. On 6 May and 13 May 2025 we received further correspondence from the Cabinet Secretary informing us that publication of the MTFS was being deferred until 25 June 2025.[15]

[15] Scottish Government (13 May 2025) Letter from the Cabinet Secretary for Finance and Local Government to the Convener of the Finance and Public Administration Committee.

1.6 We decided to proceed with the publication of our forecasts on 29 May 2025 as all the necessary forecasting analysis and engagement with the Government had taken place by the time we were informed of the delay. The publication of these forecasts also supports transparency and parliamentary scrutiny.

1.7 To accompany the publication of the MTFS on 25 June 2025, we will publish a follow-up report that provides further detail and commentary on the Government's funding position and our formal assessment of the reasonableness of the Government's borrowing plans. Our June report will also include a restatement of the forecasts published in this report, thereby fulfilling our duty to publish forecasts to accompany the MTFS. We would only update our tax or social security forecasts to reflect new policies announced in the MTFS.

1.8 During the forecasting period for this report we have had two rounds of meetings to discuss our forecasts with the Scottish Government, Revenue Scotland, and Social Security Scotland. In accordance with our protocol for engagement we have published details of timings and attendees on our website.[16]

1.9 The headline dates are:

Date	Description
24 February 2025	Cabinet Secretary for Finance and Local Government wrote to advise that the Scottish Government intended to publish its MTFS on 29 May 2025.
25 April	Deadline for inclusion of new data in the forecasts.
6 May	Cabinet Secretary for Finance and Local Government wrote to advise that she was considering deferring the publication of the MTFS.
12 May	Scottish Fiscal Commission provides its final forecasts to the Scottish Government.
13 May	Cabinet Secretary for Finance and Local Government wrote to advise that the MTFS will be published on 25 June 2025.
22 May	The SFC's near-final report was shared with the Cabinet Secretary for Finance and Local Government, Cabinet Secretary for Social Justice, and Deputy First Minister and Cabinet Secretary for Economy and Gaelic.
28 May	A pre-release version of the SFC's report was shared with the Cabinet Secretary for Finance and Local Government, Cabinet Secretary for Social Justice, and Deputy First Minister and Cabinet Secretary for Economy and Gaelic.
29 May	Scotland's Economic and Fiscal Forecasts – May 2025 published.

[16] Scottish Fiscal Commission (2025) Scotland's Economic and Fiscal Forecasts – May 2025 (Supporting Documents – log of contact between SFC and Scottish Government).

How the Scottish Government uses our forecasts

1.10 On 25 June 2025 the Scottish Government will publish the 2025 MTFS which will be informed by our forecasts. The MTFS will set out the Scottish Government's five-year funding position based on our forecasts of tax revenues and social security spending as well as assumptions about future funding and Scottish Government borrowing plans. The forecasts in this report are based on public information and do not include any new Scottish Government tax or social security policies. In June we will update these forecasts for any new policies we are informed of by the Scottish Government and include costings in our update report to be published alongside the Government's MTFS.

Chapter 2
Fiscal overview

Introduction

2.1 This chapter brings together our tax and social security forecasts, UK Government funding, and Scottish Government funding decisions and assumptions. We show the latest position on how much will be available to the Scottish Government to spend in 2025-26 and future years up to 2030-31.

2.2 Following the Scottish Government's decision to delay the publication of the Medium-Term Financial Strategy (MTFS) and Fiscal Sustainability Delivery Plan (FSDP) until 25 June 2025, our forecasts are largely based on information already in the public domain.[17] We explain where we have had to make assumptions to produce an updated funding position. We will update this based on the Scottish Government's plans, now expected to be published in the MTFS and FSDP, on 25 June 2025.

2.3 Since our last forecasts in December 2024, there have been changes to the Scottish Government's funding. For 2025-26, the total level of discretionary resource (or day-to-day) funding has increased, with consequentials from the UK Spring Statement 2025, and from the 2025-26 Main Estimates.[18,19] This includes the now confirmed Barnett consequentials following the rise in employer National Insurance Contributions (NICs).

2.4 In recent months there has been a rise in global uncertainty and geopolitical risks that could affect Scottish Government's funding outlook. Tariffs and trade deals between the US and its trading partners continue to change rapidly. Our economy forecasts, presented in Chapter 3, do not directly adjust for any specific tariffs introduced since January 2025 and include only the economic impact of the increased policy uncertainty in the run-up to January 2025. However, developments in global trade, triggered by the introduction of tariffs in the US, present economic and fiscal risks to both Scotland and the UK. In some scenarios, the impact of these developments could mean lower funding for the Scottish Government. Similarly, increased UK defence spending, depending on how it is funded, could mean less scope for spending in devolved areas.

[17] Scottish Government (13 May 2025) Letter from the Cabinet Secretary for Finance and Local Government to the Convener of the Finance and Public Administration Committee.

[18] HM Treasury (2025) Spring Statement 2025.

[19] Supply Estimates are the formal vehicle to grant legal authority for UK Government departments' spending. The timing of Supply Estimates is different to UK fiscal events. The consequentials relating to these Estimates will be shown in the memorandum of the Estimate for the Scotland Office, expected to be published by the Scottish Affairs Committee of the UK Parliament in early June 2025. HM Treasury (2025) Main Supply Estimates 2025 to 2026.

2.5 These factors provide the context for the upcoming UK Spending Review on 11 June 2025, which will then feed through to Scottish Government's funding outlook. The impact will depend on which UK Government departments are affected by funding changes, with changes in allocations in devolved areas such as health and education having implications for the Scottish Budget. Changes to allocations in reserved areas do not directly affect the Scottish Budget, but may do so indirectly if they are funded by spending cuts to devolved areas of responsibility.

Total funding and spending

2.6 Figure 2.1 sets out the five-year funding outlook, split between resource and capital.[20] These are nominal amounts (before adjusting for inflation), with growth rates presented in both nominal terms and real terms (after adjusting for inflation).

2.7 Total funding in 2025-26 is £59.6 billion, which is almost £0.8 billion higher than in our December 2024 forecast. This increase is because of higher UK Government funding following the Spring Statement 2025, the 2025-26 Main Estimates, and changes to Scotland Reserve drawdown assumptions.[21,22] Funding in 2025-26 is now forecast to be 7.3 per cent higher than in 2024-25 in nominal terms and 4.5 per cent higher in real terms. Total funding is then forecast to grow more slowly in both nominal and real terms in each of the next five years.

2.8 Resource funding is forecast to grow by 1.9 per cent in real terms in 2026-27. Growth slows to 0.6 per cent in 2027-28, partly because the projected Income Tax reconciliation is larger than the borrowing limit in that year. Growth then returns to an average of 1.6 per cent over the remainder of the forecast period. In the resource funding section, we explain how most of this growth is likely to be spent on funding growing commitments on social security.

2.9 Growth in capital funding is more variable. The expansion of capital spending in the 2024 UK Autumn Budget led to a significant increase between 2024-25 and 2025-26, and in nominal terms this increase is now 18.7 per cent. Other than in 2026-27, capital funding still grows in nominal terms over the forecast horizon. However, after accounting for inflation, we expect real terms reductions in the last three years of the forecast, as growth in UK Government funding slows while we assume the Scottish Government borrows £300 million a year from 2026-27 onwards.

[20] We focus on the discretionary part of the Scottish Budget, which covers resource and capital spending. This accounts for around 90 per cent of the Scottish Budget. Our analysis excludes the non-discretionary parts, which are UK Government funded Annually Managed Expenditure and the Non-Cash ringfenced budget.

[21] HM Treasury (2025) Spring Statement 2025.

[22] HM Treasury (2025) Main Supply Estimates 2025 to 2026. The consequentials relating to these Estimates will be shown in the memorandum of the Estimate for the Scotland Office, expected to be published by the Scottish Affairs Committee of the UK Parliament in early June 2025.

Figure 2.1: Funding outlook

£ million (nominal terms), unless specified	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Total funding	55,504	59,561	61,302	63,091	65,138	67,356	69,363
Nominal terms growth rate (per cent)		7.3	2.9	2.9	3.2	3.4	3.0
Real terms growth rate (per cent)		4.5	1.2	0.9	1.3	1.5	1.1
Resource funding	49,298	52,193	54,077	55,532	57,513	59,641	61,557
Nominal terms growth rate (per cent)		5.9	3.6	2.7	3.6	3.7	3.2
Real terms growth rate (per cent)		3.1	1.9	0.6	1.6	1.8	1.3
Capital funding	6,206	7,368	7,225	7,559	7,625	7,715	7,807
Nominal terms growth rate (per cent)		18.7	-1.9	4.6	0.9	1.2	1.2
Real terms growth rate (per cent)		15.7	-3.5	2.5	-1.1	-0.7	-0.7

Source: Scottish Fiscal Commission, Scottish Government.

Real terms growth rates calculated using the OBR's March 2025 forecast of Gross Domestic Product (GDP) deflator growth.

Figures may not sum because of rounding.

Resource funding

2.10 Resource funding is used for day-to-day running costs, such as grants to local government, transfers to households in the form of social security payments, and public sector pay. In the current financial year, 2025-26, nearly 88 per cent of total funding is resource.

2.11 Figure 2.2 presents the latest five-year outlook for resource funding broken down by source.[23] Resource funding is forecast to increase by nearly £2 billion between 2025-26 and 2026-27, a real terms increase of 1.9 per cent.

2.12 The Block Grant is the main reason resource funding grows. The net effect of devolved tax revenues also contributes to funding growth over the forecast period. Income Tax is the largest devolved tax and its contribution to funding is forecast to increase steadily from 2025-26. This is because of higher forecast earnings growth in Scotland relative to the UK, and fiscal drag having a larger effect in the more progressive Scottish Income Tax system.

[23] The five-year outlook covers 2026-27 to 2030-31. The latest positions for 2024-25 and 2025-26 and how these have changed since December 2024 can be found in Supplementary Figures S2.3 and S2.4 accompanying this report and available on our website.

Figure 2.2: Detailed resource funding outlook

Source of funding (£ million)	2025-26 latest position	2026-27	2027-28	2028-29	2029-30	2030-31
Block Grant						
Barnett baseline [1]	41,141	42,937	44,257	45,550	46,877	48,243
Barnett consequentials [2]	471					
Fiscal framework funding						
Forecast devolved revenues [3]	21,569	23,044	24,326	25,423	26,579	27,776
Tax and non-tax BGAs	-20,366	-21,687	-22,569	-23,360	-24,268	-25,212
Social security BGAs	5,605	6,071	6,321	6,562	6,882	7,219
Adjustment for forecast error, of which:	500	272	-188	0	0	0
Reconciliations	500	272	-851	-222	0	0
Borrowing [4]	0	0	663	222	0	0
Scotland Reserve drawdown [5]	200	0	0	0	0	0
Other sources						
Other funding, of which:	260	210	205	185	185	185
Assumed [6]	117	210	210	210	210	210
Confirmed [7]	143	0	-5	-25	-25	-25
Non-Domestic Rates (NDR) distributable amount [8]	3,114	3,549	3,480	3,534	3,861	3,825
Less: resource borrowing costs [9]	-142	-121	-67	-117	-194	-199
Less: capital borrowing costs [9]	-160	-199	-233	-263	-281	-280
Resource funding available for discretionary spend	52,193	54,077	55,532	57,513	59,641	61,557

Source: Scottish Fiscal Commission, Scottish Government.

[1] For 2025-26, as set in the UK Autumn Budget 2024. For 2026-27 onwards, in the absence of a Spending Review, we assume the Block Grant changes in line with the OBR's March 2025 forecasts of growth in resource departmental expenditure limits.

[2] These include £24 million of consequentials from the Spring Statement 2025, £339 million for the rise in National Insurance Contributions, and £117 million for other reasons confirmed in the 2025-26 Main Estimates. There is then a deduction of £9 million for erroneously having double-counted Budget Cover Transfers as part of Barnett. We assume the consequentials relating to employer NICs are baselined for the upcoming Spending Review.

[3] Forecast devolved revenues include an estimated £25 million from Fines, Forfeitures, and Fixed Penalties (FFFPs). This is forecast by the Scottish Government.

[4] Based on the stated Scottish Government policy to borrow to offset in full, where possible, the adverse impact of negative forecast variance. Scottish Government (2024) Scottish Budget 2025 to 2026: Scottish Government borrowing.

[5] Based on the central contingency of undeployed funding at the 2024-25 Spring Budget Revision. The Scottish Government stated that, if the undeployed funding is not needed, it would carry it forward through the reserve to support spending in 2025-26. Scottish Government (2024) Spring Budget Revision 2024-25.

[6] In 2025-26, £117 million consists of £109 million from the Scottish share of the UK-levied Migrant Surcharge and £8 million from Budget Cover Transfers, both to be confirmed at the future Supplementary Estimates 2025-26 in winter 2026. For the remaining years, £210 million is the assumed amount from the Migrant Surcharge.

[7] In 2025-26, £143 million consists of £101 million from the Migrant Surcharge and £9 million of Budget Cover Transfers recently confirmed in the 2025-26 Main Estimates, £23 million from ScotWind proceeds, £5 million from the King's and Lord Treasurer's Remembrancer, and £4 million from the Proceeds of Crime Act (POCA). For the remaining years, it is the extra Block Grant deduction for the devolution of the Crown Estate, agreed in the 2023 Fiscal Framework Review.

[8] As set by the Scottish Government in 2025-26. From 2026-27 onwards, we have assumed a distributable amount that leads to the NDR pool being in balance by 2028-29, in line with the planned path announced in December 2024, but using our new forecasts of the contributable amount.

[9] Forecast borrowing costs are based on actual borrowing up to 2024-25, and planned borrowing from 2025-26 onwards. Future interest rates are based on financial market expectations plus 0.5 percentage points for prudency based on the approach usually taken by the Scottish Government.

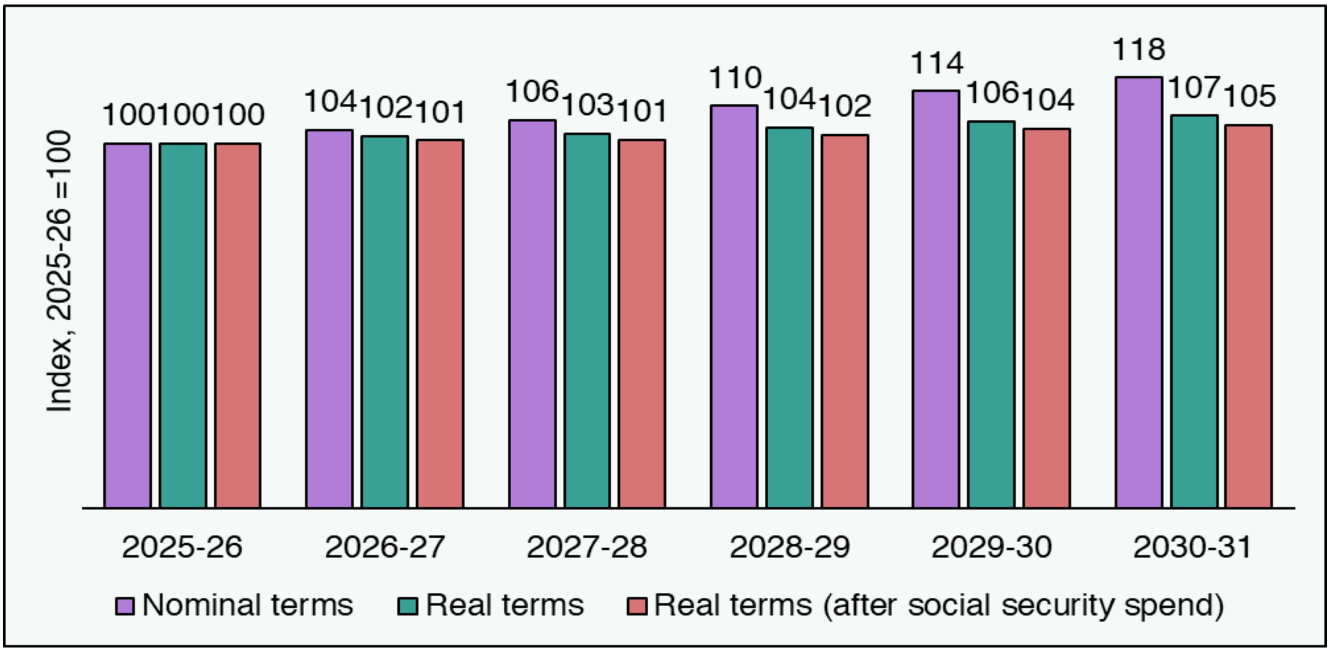
Figures may not sum because of rounding.

2.13 Figure 2.3 shows that over the period 2025-26 to 2030-31 resource funding is expected to grow by nearly 18 per cent in nominal terms. After adjusting for inflation, the growth is 7 per cent. When setting each Budget, the Scottish Government uses our forecasts to determine how much will be allocated to social security spending. If we remove forecast social security spending, real terms growth in all other areas of resource spending is reduced to 5 per cent over the next five years.

2.14 As we discussed in previous reports and cover in Chapter 5 of this report, the Scottish Government's approach to social security means spending in this area is adding pressure on the resource budget, because spending is growing faster than the specific UK Government funding for social security. We forecast spending on devolved social security payments will increase from 13.2 per cent of resource funding in 2025-26 to 15.3 per cent in 2030-31. Scotland is forecast to spend around £1.3 billion more on social security than it receives in funding in 2025-26, with the gap rising to around £2.2 billion in 2030-31.

Figure 2.3: Resource funding outlook

Resource funding grows over time, but inflation and social security reduce that growth



Description of Figure 2.3: Column chart showing resource funding trends from 2025-26 to 2030-31, indexed so that 2025-26 levels are equal to 100. Resource funding grows in 2026-27 with lower growth in 2027-28, and grows faster again thereafter, reaching 18 per cent above 2025-26 levels by the end of the forecast period. Adjusting for inflation more than halves the growth, with 2030-31 seeing funding 7 per cent above 2025-26 levels. Accounting for social security spend reduces growth further, so much so that it is almost flat in 2026-27 and 2027-28, and is only 5 per cent above 2025-26 levels by 2030-31.

Source: Scottish Fiscal Commission, Scottish Government.

Real terms amounts have been calculated using the OBR's March 2025 forecast of GDP deflator growth.

Components of funding and risks

Block Grant

2.15 The Block Grant in 2025-26 is £471 million higher than expected in December 2024. The Scottish Government received £24 million of Barnett consequentials from the UK Spring Statement in March 2025, and a further £456 million were confirmed in the 2025-26 UK Main Estimates, of which £339 million are for the rise in employer NICs.

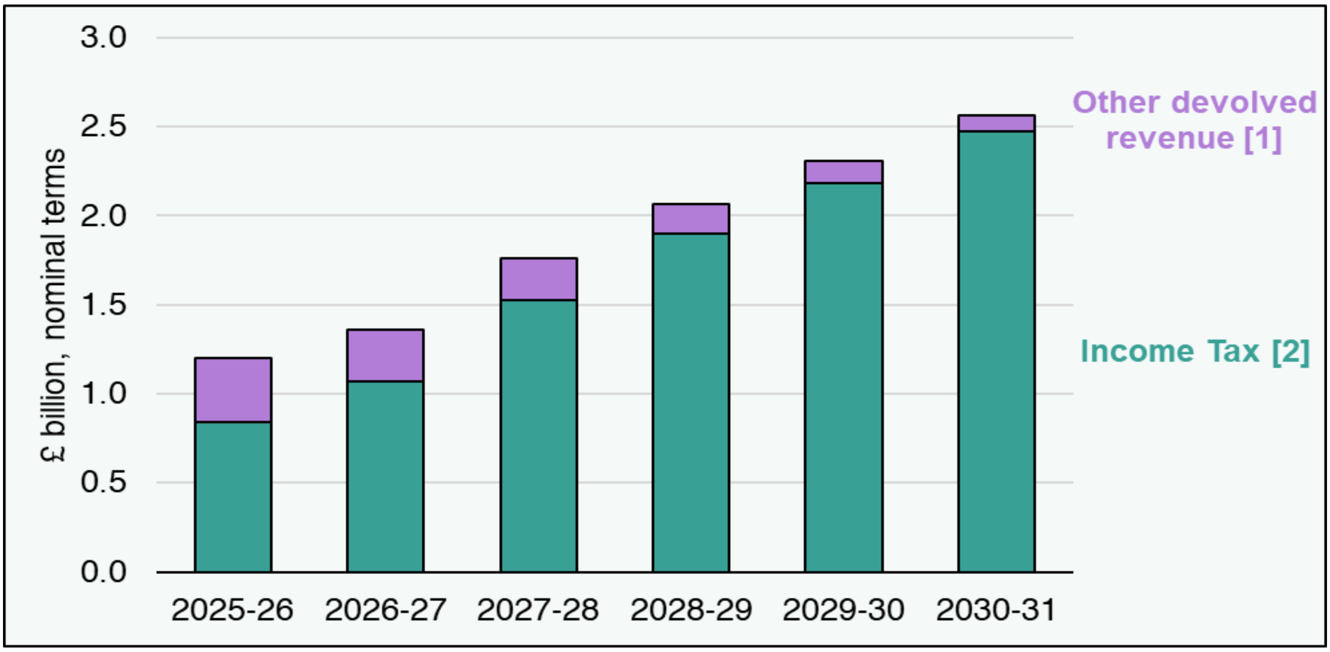
2.16 The level of Block Grant will become clearer following the UK Spending Review in June 2025. Until then, funding from 2026-27 onwards is relatively uncertain. We will provide an updated funding position alongside the MTFS on 25 June 2025.

Devolved taxes and social security

2.17 The tax net position is positive, contributing additional funding to the Scottish Budget over the next five years. Compared with December 2024, there have been small downward revisions to the projection of the tax net position. The projected Income Tax net position is the largest component, and its relative importance grows over time. This is mainly because of policy divergence between Scotland and the rest of the UK, and partly because the OBR forecasts materially lower earnings growth for the UK from 2026-27 than we do for Scotland. If the gap between Scottish and UK earnings turns out to be smaller, then there is a risk that the Income Tax net position will be less positive than currently projected. This could happen if, for example, the OBR revises up earnings growth forecasts for later years as it has done for 2025-26. We discuss this in more detail in Chapter 4.

Figure 2.4: Revenue net positions

Contribution of tax revenues, especially Income Tax, to resource funding increases



Description of Figure 2.4: Stacked column chart showing revenue net positions from 2025-26 to 2030-31, showing Income Tax and other devolved revenue. The net positions are forecast to grow steadily over time, from £1.2 billion in 2025-26 to more than £2.5 billion by 2030-31. Income Tax represents an increasing share over time, so that by the end of the forecast period virtually all of the positive net position is because of Income Tax.

Source: Scottish Fiscal Commission, Scottish Government.

[1] Other devolved revenue includes Land and Buildings Transaction Tax (LBTT), Scottish Landfill Tax (SLfT), Fines, Forfeitures, and Fixed Penalties (FFFPs), and the Proceeds of Crime Act (POCA).

[2] The Income Tax net position in 2025-26 was fixed based on our December 2024 forecasts and the OBR's October 2024 forecasts.

2.18 There is a large negative reconciliation of £851 million currently projected for 2027-28 relating to the 2024-25 Income Tax net position. This is largely because the BGA has increased substantially more than our Scottish Income Tax forecast since the 2024-25 Budget was set in December 2023. The reconciliation has become more negative since December 2024 when we projected it at minus £701 million. If a reconciliation of this scale materialises, it will exceed the borrowing limit, which is currently forecast to be £663 million. Therefore, resource funding in 2027-28 may be reduced even if the Scottish Government makes full use of its borrowing powers. We will explore in a future publication how likely it is that these limits will be breached over time.

2.19 The Income Tax net position for 2025-26 was fixed when the Budget was set in December 2024. Our forecast for 2025-26 has remained broadly steady, whereas the BGA for 2025-26 has increased, largely because the OBR has updated its earnings forecast. In December 2024 we highlighted how our forecasts of earnings growth were higher for Scotland than the OBR's for the UK as a whole, with an asymmetric downside risk to the projections of the Income Tax net position from 2025-26 onwards. Funding will not be affected until Income Tax revenues for 2025-26 are known and a final reconciliation can be applied to a future Budget. Figure 2.5 shows we now project a negative reconciliation of £222 million in 2028-29 based on our and the OBR's latest forecasts of Income Tax revenues in 2025-26, which suggests the risk we highlighted has materialised.

Figure 2.5: Reconciliations and associated resource borrowing plans

Funding source (£ million)	2025-26	2026-27	2027-28	2028-29
Income Tax	451	279	-851	-222
LBTT and SLfT (BGAs only)	15	0		
Social security (BGAs only) [1]	34	-7		
Total	500	272	-851	-222
Resource borrowing [2]	0	0	663	222
Reconciliation relates to year:				
Income Tax	2022-23	2023-24	2024-25	2025-26
All others	2023-24	2024-25	2025-26	2026-27

Source: Scottish Fiscal Commission, Scottish Government.

Reconciliations in 2025-26 are based on outturn data. For the rest of the years these are indicative, based on our latest forecasts and the OBR's March 2025 forecasts.

[1] We are not forecasting any reconciliations relating to 2026-27 at this stage. However, a revision to the 2023-24 final reconciliation which should have applied in 2025-26 has been deferred to 2026-27. This is because the final BGAs for 2023-24 calculated in the UK Autumn Budget 2024 were still based on provisional outturn data from the DWP.

[2] Based on the stated Scottish Government policy to borrow to offset in full, where possible, negative reconciliations. Scottish Government (2024) Scottish Budget 2025 to 2026: Scottish Government borrowing.

Figures may not sum because of rounding.

2.20 Spending on social security is forecast to account for a growing share of the Budget. At the same time, the additional funding the Scottish Government receives through the social security BGAs (£0.4 billion in 2029-30) is affected by the UK Government's policy decisions. The UK Government plans to reduce spending on Personal Independence Payment (PIP) in England and Wales in the later part of the decade. This will reduce the amount of funding the Scottish Government receives by £0.4 billion in 2029-30. It is an example of UK Government policy in a devolved area having an effect on the Scottish Budget.

ScotWind

2.21 In December 2024, the Scottish Government planned to use £160 million of ScotWind proceeds to support resource funding in 2024-25.[24] In the 2024-25 Spring Budget Revision the planned use of ScotWind proceeds was reduced to zero.

2.22 This freed up ScotWind funding for later years. In 2025-26, the Scottish Government plans to use £364 million, with £341 million to support capital spending and £23 million for resource. As Figure 2.6 shows, this leaves a balance of £349 million available to support capital or resource spending in future years. There are currently no plans for use of ScotWind proceeds in 2026-27 and beyond.

Figure 2.6: Latest planned use of ScotWind proceeds

£ million	2022-23 outturn	2023-24 outturn	2024-25	2025-26
Opening balance [1]	755	659	659	713
Additions [2]	0	0	54	0
Drawdowns, of which:	96	0	0	364
Supporting resource budget	96	0	0	23
Supporting capital budget	0	0	0	341
Balance remaining	659	659	713	349

Source: Scottish Government.

[1] In 2022-23, £699 million from the first round of ScotWind leasing, with an extra £56 million added as part of the clearing process.

[2] In 2024-25, £54 million from the separate Innovation and Targeted Oil and Gas leasing round.

Figures may not sum because of rounding.

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

Employer National Insurance Contributions

2.23 In December 2024, we highlighted the rise in employer National Insurance Contributions (NICs) from 2025-26 as a risk to the Scottish Budget. The UK Government had committed to compensate the public sector for some of the costs, but the amount the Scottish Government would receive was not confirmed. Therefore, the funding and spending implications of this measure were left to be managed in-year in a Budget Revision. It was expected that funding would be less than the corresponding costs for the devolved public sector, given that there are relatively more public sector workers in Scotland compared with the rest of the UK, and they have higher average pay.[25]

2.24 The Spring Statement 2025 confirmed that the Scottish Government will receive £339 million in 2025-26 for the increase in employer NICs.[26] This is a Barnett share of the increase in funding received by the relevant UK Government departments.[27]

2.25 The latest estimate from the Scottish Government of the cost of the NICs rise in the devolved public sector for directly employed staff is £535 million. This figure is estimated to rise to at least £725 million if including contracted services like adult social care, GPs and dentistry, or universities.[28]

2.26 Therefore, depending on how widely the devolved public sector is defined, this means there is a gap of around £200 million to £400 million between the funding received and the actual costs. The Scottish Government will need to consider how to allocate the funding available, with in-year changes required in either the Autumn or the Spring Budget Revisions to allocate the funding and find savings from existing spending plans.

Pay

2.27 The Scottish Government set out pay metrics in its December 2024 Public Sector Pay Policy (PSPP) as a framework for negotiations. The PSPP set out a 9 per cent increase in basic pay over three years (2025-26 to 2027-28), which was above inflation expectations at the time. Any employer not agreeing to a three-year pay deal was restricted to a maximum 3 per cent rise in 2025-26. Accordingly, portfolio allocations in the 2025-26 Budget were based on a 3 per cent rise.[29]

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[25] Scottish Fiscal Commission (2024) Fiscal Update – August 2024 (Box 2.1).

[26] HM Treasury (2025) Spring Statement 2025.

[27] Although the funding was announced in the Spring Statement, the Scottish Government budget limits and those of UK Government departments do not get formally updated until the 2025-26 Main Estimates, the draft for which was published on 15 May 2025.

[28] Scottish Government (2025) National Insurance Contributions: public sector costs.

[29] Scottish Government (2024) Scottish Budget 2025 to 2026: public sector pay policy. These were based on forecast CPI growth from the Bank of England in November 2024.

2.28 The UK Government set 2025-26 day-to-day spending plans in the UK Autumn Budget 2024 with an assumed 2.6 per cent rise in wages, in line with the OBR's October 2024 forecast of Consumer Prices Index (CPI) inflation for that year.[30] Since then, UK departments had budgeted for an increase of 2.8 per cent in 2025-26.[31]

2.29 The UK Government uses Pay Review Bodies (PRBs) to inform pay increases for most of the public sector in the rest of the UK working in areas devolved to Scotland. Most PRBs reported on 22 May 2025.[32] The PRBs' recommendations all exceeded 2.8 per cent. Other than for the judiciary, the UK Government accepted the recommendations in full.[33]

2.30 The offers from the UK Government have not yet been accepted by the relevant unions. The level of funding which the Scottish Government will receive depends on the level of pay rises eventually agreed and approach taken by the UK Government to funding the pay offers. Specifically, it depends on whether pay increases over and above current budget plans are funded from new, additional money or from existing departmental resources. The Spending Review on 11 June 2025 will confirm whether any more funding is made available to departments to meet these higher costs.

2.31 Most parts of the devolved public sector workforce have not yet agreed pay deals for 2025-26 onwards, but those which have agreed have done so at levels above the PSPP.[34] Most nurses and NHS workers in Scotland have agreed a pay rise of 4.25 per cent in 2025-26 and 3.75 per cent in 2026-27.[35] The pay rise agreed for 2025-26 is above the 3.6 per cent recommended for the same group in the rest of the UK. There is also a guarantee that the Scottish pay rise will be 1 percentage point above CPI inflation. Therefore, if inflation in 2025 is higher than 3.25 per cent, there will be an additional pay increase and higher costs to the Scottish Government.

[30] HM Treasury (2024) Economic Evidence to the Pay Review Bodies: 2025-26 Pay Round.

[31] 2.8 per cent is the affordability remit most departments provided to the public sector Pay Review Bodies for 2025-26 pay awards. OBR (2025) Economic and fiscal outlook – March 2025 (Paragraph 5.30) .

[32] NHS Pay Review Body (2025) NHS Pay Review Body Thirty-Eight Report: 2025, Prison Service Pay Review Body (2025) PSPRB Twenty-Fourth Report on England and Wales 2025, School Teachers' Review Body (2025) School Teachers' Review Body 35th report: 2025, Review Body on Doctors' and Dentists' Remuneration (2025) Review Body on Doctors' and Dentists' Remuneration Fifty Third Report: 2025, Review Body on Senior Salaries (2025) Senior Salaries Review Body Report: 2025, Armed Forces' Pay Review Body (2025) Armed Forces' Pay Review Body: Fifty-Fourth Report 2025.

[33] The recommendation for the judiciary was 4.75 per cent, and the UK Government has offered 4 per cent. UK Parliament (2025) Written statements issued on 22 May 2025: Armed Forces Workforce, Civil Service Workforce, NHS Workforce, Teacher Workforce, MoJ: Judiciary and Prison Officers Workforce.

[34] Scottish Government (2024) Scottish Budget 2025 to 2026: public sector pay policy. The Scottish Government's PSPP set out that any employer not agreeing a three-year pay deal would be restricted to a maximum 3 per cent uplift for 2025-26. Two of the key deals agreed so far are two year pay deals and exceed 3 per cent in 2025-26.

[35] Scottish Government (2025) NHS staff pay.

2.32 Another pay deal agreed in Scotland is for ScotRail, now under public ownership, with a pay rise of 3.6 per cent in 2025-26, and the potential for an increase of above 3 per cent in 2026-27.[36] The level of remaining pay agreements and how these compare to the funding received from the UK Government are two areas of uncertainty for the Scottish Government in managing its 2025-26 Budget.

Resource conclusion: pressures and risks continue

2.33 The Scottish Government's decision to delay the MTFS and FSDP to late June 2025 was to have more certainty on the funding outlook following the UK Spending Review. Therefore, we must wait for its spending plans and the comparison between those and available funding.

2.34 As we noted in our last Fiscal Sustainability Report, there are several pressures emerging in key areas of policy such as health and social care because of the population ageing.[37] Meeting net zero obligations will also require difficult spending decisions.[38] In an environment where the Scottish Budget needs to be balanced every year, prioritising spending in a particular area means less funding is available for other devolved responsibilities.[39]

2.35 Pay and workforce present more immediate risks to the Scottish Budget. As highlighted above, pay deals reached so far have been above the Scottish Government's PSPP of 3 per cent in 2025-26 which may influence other pay deals reached in Scotland. The pay offer in the rest of the UK for nurses and most NHS workers is lower than that agreed in Scotland for 2025-26. How the UK Government plans to fund its pay offers is uncertain, whether the UK Government will provide any additional funding to UK Government departments resulting in additional funding for the Scottish Government should be clearer following the Spending Review on 11 June. However the Scottish Government will need to balance its approach to pay and workforce against the funding it receives, and plan for the possibility that its paybill is growing faster than funding.

2.36 Pay challenges are made more difficult by the employer NICs increases from 2025-26. These, are partly funded by Barnett consequentials, depending on how widely the Scottish Government wishes to define the devolved public sector workforce. Therefore, any increasing pay differential in Scotland will widen the gap between the costs to the Scottish Budget associated with this tax measure in 2025-26 and any specific funding. This year's pay rises will have longer-term consequences and mean higher public sector pay in the future, resulting in a larger funding gap for the 2026-27 Scottish Budget and beyond.

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[36] Unite (2025) Scotrail workers accept two-year pay offer. Specifically, the ScotRail pay deal for 2026-27 is 3 per cent or the January 2026 Retail Prices Index (RPI), whichever is higher.

[37] Scottish Fiscal Commission (2025) Fiscal Sustainability Report – April 2025.

[38] Scottish Fiscal Commission (2024) Fiscal Sustainability Perspectives: Climate Change.

[39] In practice, funding and spending need not balance fully, as the Scottish Government has some limited borrowing powers and can also move money through the Scotland Reserve.

2.37 Extra pressures have been added by commitments made in the recent Programme for Government, such as the permanent removal of peak-time rail fares.[40] This will come into effect from September 2025 but was not included in the 2025-26 Budget Bill passed by Parliament in February 2025. The Scottish Government has not set out the cost of the policy, but the evaluation of the pilot indicated a cost of around £40 million a year, implying additional spending of at least £20 million in the current financial year, 2025-26.[41]

2.38 The 2025-26 resource funding position has increased by £764 million since December 2024, the Autumn Budget Revision should confirm how this is being allocated to fund additional commitments such as pay increases, the removal of peak fares as well as the employer NICs increases.

2.39 The funding outlook over the next five years is relatively uncertain. The Block Grant depends on levels of UK Government spending. The UK Spending Review on 11 June 2025 will confirm resource Block Grant funding levels for 2026-27 to 2028-29, but funding beyond that remains uncertain. In addition, we highlight the risk of the Income Tax net position being less positive than currently projected, reducing funding available to the Scottish Government. This is because of the difference between our and the OBR's forecasts of Scottish and UK earnings and the risk that UK earnings growth is revised up in future years, as has happened for 2025-26.

2.40 The risk to the budget from rising social security spending has been well documented in our previous reports. Recent UK Government announcements on its plans to reduce spending on PIP in England and Wales will reduce funding for the Scottish Government by £0.4 billion in 2029-30. As the UK Government addresses its own fiscal sustainability challenges in the coming decades, this will have implications for the Scottish Budget. Our work to date on fiscal sustainability has demonstrated how interlinked the public finances of the Scottish and UK Governments are, and how fiscal sustainability challenges for the UK Government eventually feed through to Scotland.

2.41 We expect the Scottish Government's MTFS and FSDP to discuss these pressures. We will provide initial commentary alongside the publications in June 2025, and a fuller discussion in our Fiscal Update in August 2025. All these publications will inform parliamentary pre-Budget scrutiny in the autumn.

2.42 We also note that the UK Spending Review on 11 June 2025 will provide the Scottish Government with more certainty about its funding position to at least 2028-29. The Scottish Government will then be in a better position to provide not only overall spending projections, but also portfolio-level spending allocations.

[40] Scottish Government (2025) Programme for Government 2025 to 2026.

[41] Transport Scotland (2024) ScotRail Peak Fares Removal Pilot – Final Evaluation Report – August 2024 (Summary).

Capital funding

2.43 Figure 2.7 shows the capital funding position from 2025-26 to 2030-31, including Financial Transactions (FTs). Following a large real terms increase of nearly 16 per cent in capital funding in 2025-26, funding is forecast to fall from £7.4 billion in 2025-26 to £7.2 billion in 2026-27. This is because Scottish Government's planned capital borrowing is lower in 2026-27 and there are currently no plans for use of ScotWind proceeds in 2026-27 and beyond.[42] As shown in Figure 2.8, the funding position increases in nominal terms from 2027-28 onwards and reaches £7.8 billion by 2030-31, but after accounting for inflation this equates to a real terms fall in each of the last three years of the forecast.

2.44 The UK Autumn Budget 2024 provided the Scottish Government with £167 million of financial FTs in 2025-26. In December 2024 the Scottish Government assumed this funding would remain constant in nominal terms over the next five years, so we have continued to use this assumption. The UK Government's Spending Review in June 2025 will confirm future FTs funding.

[42] The borrowing plans presented here for 2026-27 and beyond are unchanged from those set out alongside the 2025-26 Scottish Budget. We assume no further use of ScotWind funds in 2026-27 and beyond.

Figure 2.7: Detailed capital funding outlook

Source of funding (£ million)	2025-26 latest position	2026-27	2027-28	2028-29	2029-30	2030-31
Capital (excluding FTs)	**7,201**	**7,058**	**7,392**	**7,458**	**7,548**	**7,639**
Barnett baseline [1]	6,256	6,636	6,970	7,036	7,126	7,217
Barnett consequentials	1	0	0	0	0	0
Capital borrowing	472	300	300	300	300	300
Scotland Reserve drawdown	0	0	0	0	0	0
Other funding, of which:	472	122	122	122	122	122
Assumed [2]	122	122	122	122	122	122
Confirmed [3]	350	0	0	0	0	0
Financial transactions (FTs)	**167**	**167**	**167**	**167**	**167**	**167**
Barnett baseline	167	167	167	167	167	167
Barnett consequentials	0	0	0	0	0	0
Scotland Reserve drawdown	0	0	0	0	0	0
Other funding, of which:	0	0	0	0	0	0
Assumed	0	0	0	0	0	0
Confirmed	0	0	0	0	0	0
Total capital funding	**7,368**	**7,225**	**7,559**	**7,625**	**7,715**	**7,807**

Source: Scottish Fiscal Commission, Scottish Government.

[1] For 2025-26, as set in the UK Autumn Budget 2024. For 2026-27 onwards, the Block Grant is assumed to grow in line with the OBR's March 2025 forecasts of growth in capital departmental expenditure limits. However, we have reduced the growth rate to reflect that a significant share of extra spending will be on defence, which is reserved to the UK Government.

[2] Relates to City Deals only. For 2025-26, it will be confirmed in the Supplementary Estimates 2025-26 in winter 2026. For the remaining years, we assume they are a constant source of funding, in line with the Scottish Government's approach in December 2024.

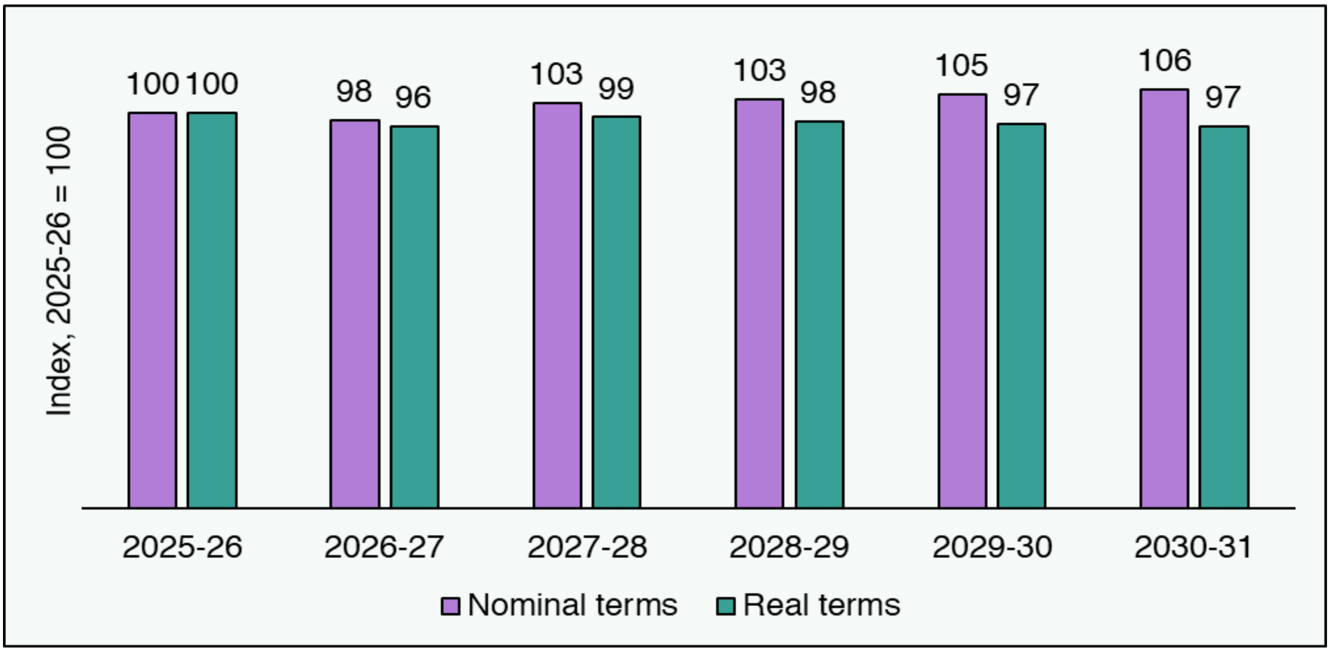
[3] £350 million in 2025-26 consists of £341 million from ScotWind proceeds and £9 million of Budget Cover transfers confirmed in the UK Main Estimates.

Figures may not sum because of rounding.

2.45 Figure 2.8 shows the outlook for capital funding in both nominal and real terms. In nominal terms, capital funding falls by 2 per cent in 2026-27, before increasing above current levels in 2027-28 because of the forecast increase in Block Grant funding. Overall, capital funding is expected to grow by 6 per cent in nominal terms over the next five years. After accounting for inflation, though, by 2030-31 we expect capital funding to end up 3 per cent below 2025-26 levels.

Figure 2.8: Capital funding outlook

Capital funding to fall initially and then grow, but not enough to counter inflation



Description of Figure 2.8: Column chart showing capital funding trends from 2025-26 to 2030-31, in nominal and real terms. Capital funding is expected to fall in nominal terms in 2026-27. It then grows over the forecast period and by 2030-31 is 6 per cent above 2025-26 levels. After adjusting for inflation, capital funding levels in 2030-31 are 3 per cent below 2025-26 levels.

Source: Scottish Fiscal Commission, Scottish Government.

Real terms amounts are calculated using growth in the GDP deflators from the OBR's March 2025 forecasts.

Borrowing

2.46 The Scottish Government can borrow to support capital spending. The annual capital borrowing limit for 2025-26 is £472 million and the total debt stock limit is £3.1 billion. Both limits grow with inflation each year from 2024-25 onwards.

2.47 The Scottish Government has revised down borrowing for 2024-25 to £139 million from £300 million.[43] It also plans to borrow the maximum possible in 2025-26, £472 million, as Figure 2.9 shows. We reported 2025-26 borrowing plans in December 2024 alongside the 2025-26 Scottish Budget. In the absence of new decisions, we have restated these plans. For future years, we have reverted to Scottish Government's baseline borrowing of £300 million a year. Based on these assumptions, we forecast debt will reach 89 per cent of the overall limit in 2030-31.

2.48 Alongside the 2025-26 Scottish Budget, the Scottish Government set out its new capital borrowing policy, which states that it will ensure at least £1.5 billion can be borrowed over the subsequent parliamentary term.[44] The duration and terms of the loans will be decided each year.

[43] Scottish Government (2025) Implementation of the Scotland Act 2016: ninth annual report.

[44] Scottish Government (2024) Scottish Budget 2025 to 2026: Scottish Government borrowing.

Figure 2.9: Capital borrowing plans

£ million, unless specified	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Borrowing	139	472	300	300	300	300	300
Debt stock	2,245	2,578	2,723	2,846	2,951	3,050	3,142
Share of debt cap (per cent)	74	82	84	86	87	89	89

Source: Scottish Fiscal Commission, Scottish Government.

2.49 The Scottish Government is planning to use ScotWind proceeds to support capital funding for the first time in 2025-26. It has increased the use of ScotWind proceeds for capital funding by £15 million as the 2025-26 Budget Bill progressed in Parliament, taking it up to £341 million.

Capital conclusion: project pipeline needed

2.50 There have been several delays to the Scottish Government's planned publication of its infrastructure investment pipeline. Without a published pipeline of projects to consider, the Scottish Parliament has been constrained in its scrutiny of capital plans. This point has been raised by the Finance and Public Administration Committee in its report on the 2025-26 Scottish Budget.[45]

2.51 We expect the MTFS in June 2025 to include details of Scottish Government's latest borrowing plans, and we will provide our usual assessment in our report on the same day. Our Fiscal Update in August 2025 will set out further analysis of the Scottish Government's capital spending plans.

[45] Finance and Public Administration Committee (2025) Budget Scrutiny 2025-26.

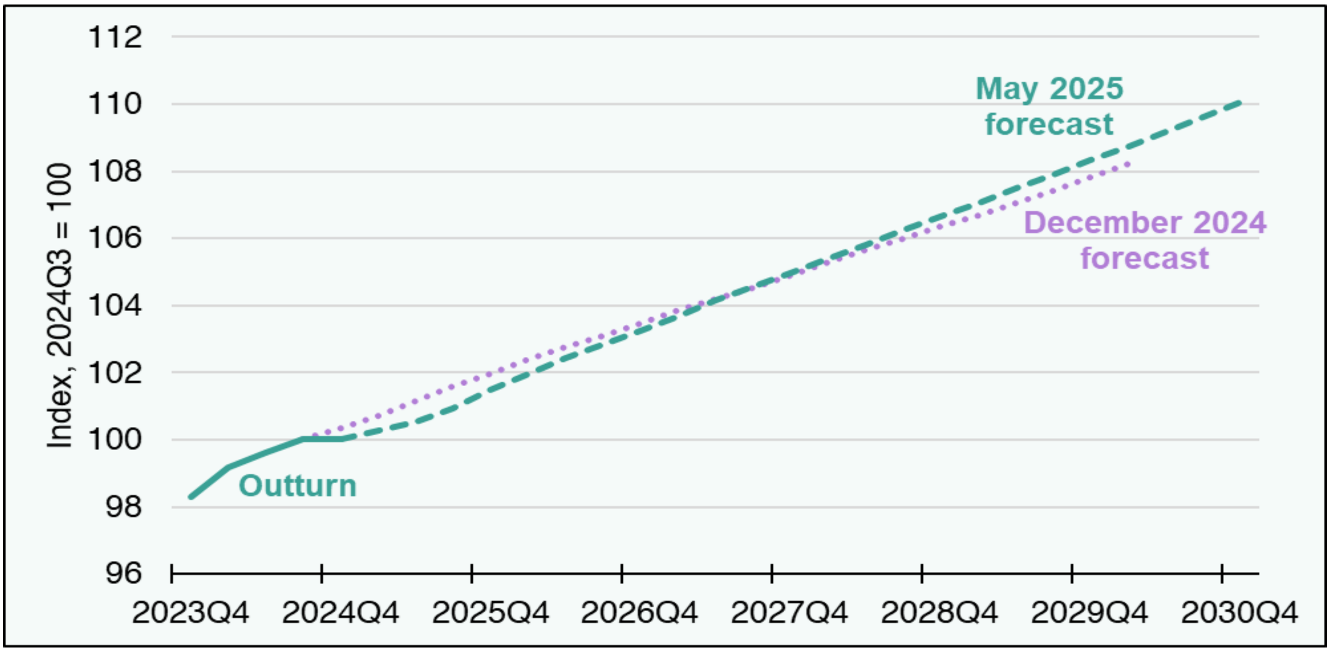
Chapter 3
Economy

3.1 Since our December 2024 forecast, ongoing developments in international trade policy have created significant uncertainty and volatility. There have been various announcements of new tariffs in the US and elsewhere, some of which have been delayed or withdrawn, and new trade deals are being agreed. All these changing announcements have made forecasting trade and the wider effects of tariffs difficult. Even if the volatility were to reduce, the uncertainty about whether any future trade regime will persist remains.

3.2 To create a stable and coherent forecast, we have aligned our economy assumptions with the OBR's March 2025 central forecast. This includes the economic impact of the increased policy uncertainty in the run-up to January 2025, without directly adjusting for any specific tariffs introduced since January. We note these global trade developments as a downside risk to our forecast. We have considered the potential effects of tariffs through scenarios in Box 3.1.

3.3 Since our last forecast, rising global uncertainty together with other factors such as higher inflation and interest rate expectations have contributed to falling consumer and business sentiment across the UK in the final months of 2024. This has resulted in slower GDP growth at the end of 2024 compared with our December 2024 forecast. Reflecting this, as Figure 3.1 shows, we have revised down our GDP outlook in the near term. In contrast, the labour market has remained on track with our expectations in December. While still relatively strong, earnings growth has slowed from last year as vacancies have fallen from their recent record-high levels, reducing pressure on wages.

Figure 3.1: Gross Domestic Product (GDP) index, Scotland
GDP level is lower in the near term than we forecast previously but higher by 2029-30



Description of Figure 3.1: Line chart showing outturn GDP below our December 2024 forecast. Our latest forecast is lower than previously expected in the near term but higher by 2029-30.

Source: Scottish Fiscal Commission – [Scotland's Economic and Fiscal Forecasts](#).

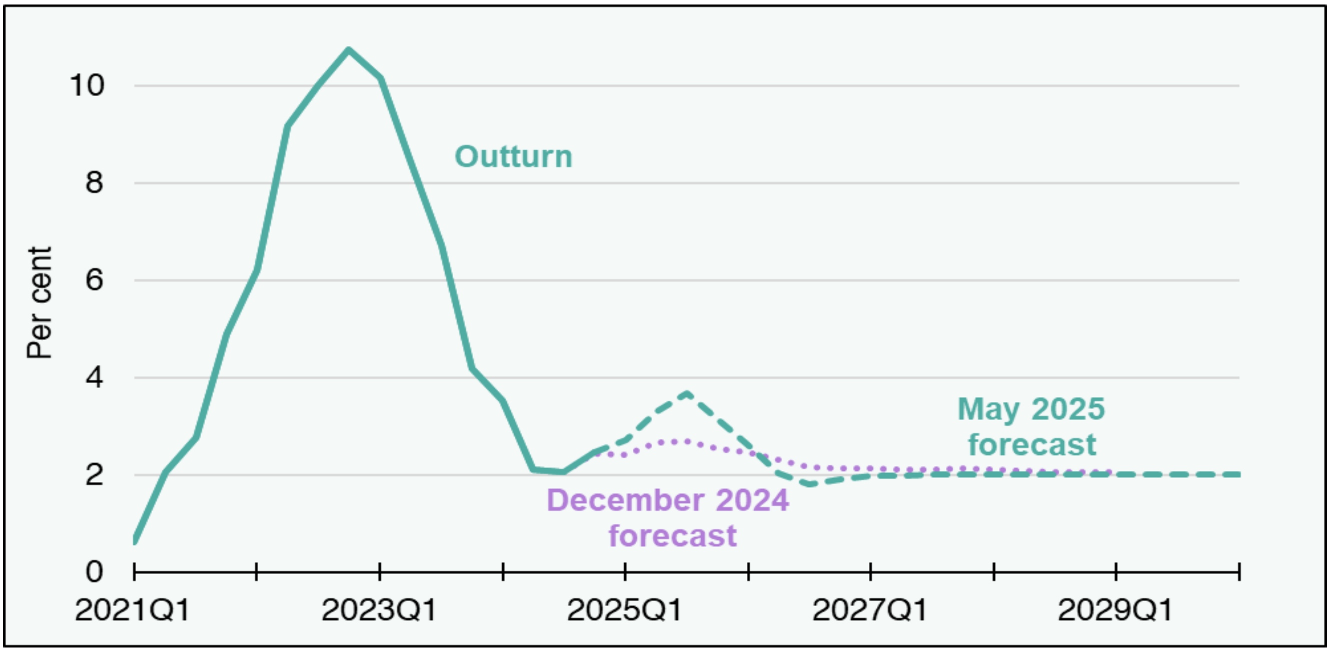
Note that the vertical axis begins at 96. Amounts are indexed so that 2024 Q3 is equal to 100.

3.4 In the longer term, the level of GDP is higher than in our December 2024 forecast. This is because of higher migration and faster population growth over the next five years, consistent with the new Scottish population projections from January 2025 published by the Office for National Statistics.

3.5 Figure 3.2 shows that headline Consumer Prices Index (CPI) inflation is expected to be higher in the near term than in our last forecast, peaking at 3.7 per cent in 2025 Q3. This reflects higher energy prices increasing the Ofgem price cap, higher food prices, and rises in Council Tax from April 2025. Inflation is then expected to return to the Bank of England's 2 per cent target around mid-2026.

Figure 3.2: Consumer Prices Index (CPI) inflation, UK

Inflation to be above target in the near term, higher than previously expected



Description of Figure 3.2: Line chart showing CPI inflation rising to 3.2 per cent in 2025-26 before returning to 2 per cent by 2026 Q2, a higher path than we forecast in December 2024.

Source: Scottish Fiscal Commission – Scotland's Economic and Fiscal Forecasts.

Box 3.1: Potential effects of tariffs on the Scottish economy

On 2 April 2025, the US administration imposed new tariffs on goods imports from all its trading partners. The measures varied by country, with UK goods among those facing the lowest tariff of 10 per cent. These measures were in addition to 25 per cent tariffs introduced on cars, steel, and aluminium imports. On 9 April, the US announced a 90-day pause, moving to a 10 per cent baseline tariff on most imports from all countries except China. The UK has since agreed an initial trade deal with the US mainly involving cars, steel, and aluminium. The US and China have also announced a 90-day pause to their tariff retaliations. However, the global trade landscape continues to evolve and remains unpredictable.

The various tariff announcements have led to a sharp rise in global economic uncertainty and a material shift in the world trading system, as companies prepare to adjust their complex supply chains. The US tariff measures may bring additional downside risks. These include businesses scaling back operations amid US-China trade frictions, and larger declines in global trade and GDP than expected.

Given the ongoing volatility, we have aligned our economy assumptions with the OBR's March 2025 central forecast.[46] This includes the economic impact of the increased policy uncertainty in the run-up to January 2025, without directly adjusting for any specific tariffs introduced since January.[47]

Tariff scenario modelling

In its March 2025 Economic and fiscal outlook, the OBR outlined how different trade scenarios could affect the UK economy. We have assessed the potential for asymmetric effects on the Scottish economy from US tariffs on UK goods.

HM Revenue and Customs regional trade statistics, discussed in the Scottish Government's Scottish Economic Insights report, show that Scotland and the UK have similar trade exposure to the US. US goods exports represent around 2 per cent of GDP for both economies, and 17 per cent of both Scotland's and the UK's international goods exports (excluding oil and gas) go to the US.[48, 49]

To understand the potential effects of tariffs on the Scottish economy, we modelled a Scotland-specific tariff scenario based on assumptions from the OBR's universal tariff scenario with no or limited retaliation.[50] We incorporated a medium-term productivity shock, a short-term rise in inflation, and decreases in household consumption, business investment, and exports.

[46] OBR (2025) Economic and fiscal outlook – March 2025.

[47] The OBR's March 2025 forecast for world output aligns with the International Monetary Fund's January 2025 World Economic Outlook, so it does not take account of the new tariffs announced since January.

[48] Scottish Government (2025) Scottish Economic Insights: April 2025.

[49] HM Revenue and Customs (2025) Regional Trade Statistics – 2024.

[50] This is based on the OBR's scenario of a 20-percentage-point rise in US tariffs on the world, with equivalent retaliation from only China, Canada, and Mexico.

To date, the impact of tariffs on UK inflation is unclear. While tariffs are generally expected to push up costs and therefore inflation, there may also be downward pressure on prices as weaker global activity could lower both costs and demand. Oil and commodity prices have also dropped after the US tariff announcements in April because of concerns over a global economic slowdown, although they remain volatile. The recent sterling appreciation may feed through to lower import prices.

Under the tariff scenario, the level of Scottish GDP could be 0.4 per cent lower than our central forecast for 2025-26, 0.6 per cent lower for 2026-27, and 0.3 per cent lower at the end of the forecast. Our results are similar to the OBR's UK-wide analysis, suggesting broad tariffs on UK goods would have similar effects on both economies. The OBR's estimates are also in line with those of other external researchers modelling comparable scenarios.

Our findings are at the national average level but there may be uneven effects between Scotland and the UK at the level of individual sectors. Primarily, Scotland is more exposed to the US in the beverages industry including whisky, which accounts for 25 per cent of Scottish exports to the US compared with 3 per cent for the UK.[51]

3.6 Our view of the labour market over the next five years is similar to that in our December 2024 forecast. For 2025-26, we are forecasting flat employment and a slightly increasing unemployment rate, as labour market tightness continues to ease. In part, this also reflects the economic slowdown in late 2024, which feeds through to lower GDP growth this year than we expected in December 2024.

3.7 For 2026-27 onwards, we are still forecasting employment to grow, while the unemployment rate remains at around its assumed structural trend of 4.1 per cent. Employment growth over this period is revised up slightly, because of higher population growth compared with our previous forecast.

3.8 Our earnings forecast is also largely unchanged from that in December 2024. As Figure 3.3 shows, we forecast nominal average earnings growth of 3.7 per cent in 2025-26, which is within the range of the latest UK pay settlement expectations.[52] From 2026-27 onwards, our forecast is still around the long-run annual average of 3.0 per cent.

3.9 For 2025-26, our and the OBR's respective forecasts of Scottish and UK earnings growth are now aligned, as the OBR's March 2025 forecast has been revised up to 3.7 per cent from 3.0 per cent in its October 2024 report. This contributes to a downward shift in the projected Income Tax net position. The alignment between the two forecasts is consistent with recent Real Time Information (RTI) data, which shows mean pay growth in Scotland being similar to the UK after a period where Scottish pay grew faster. It is also consistent with labour market indicators such as vacancies data, which indicate convergence in labour market tightness between Scotland and the UK.

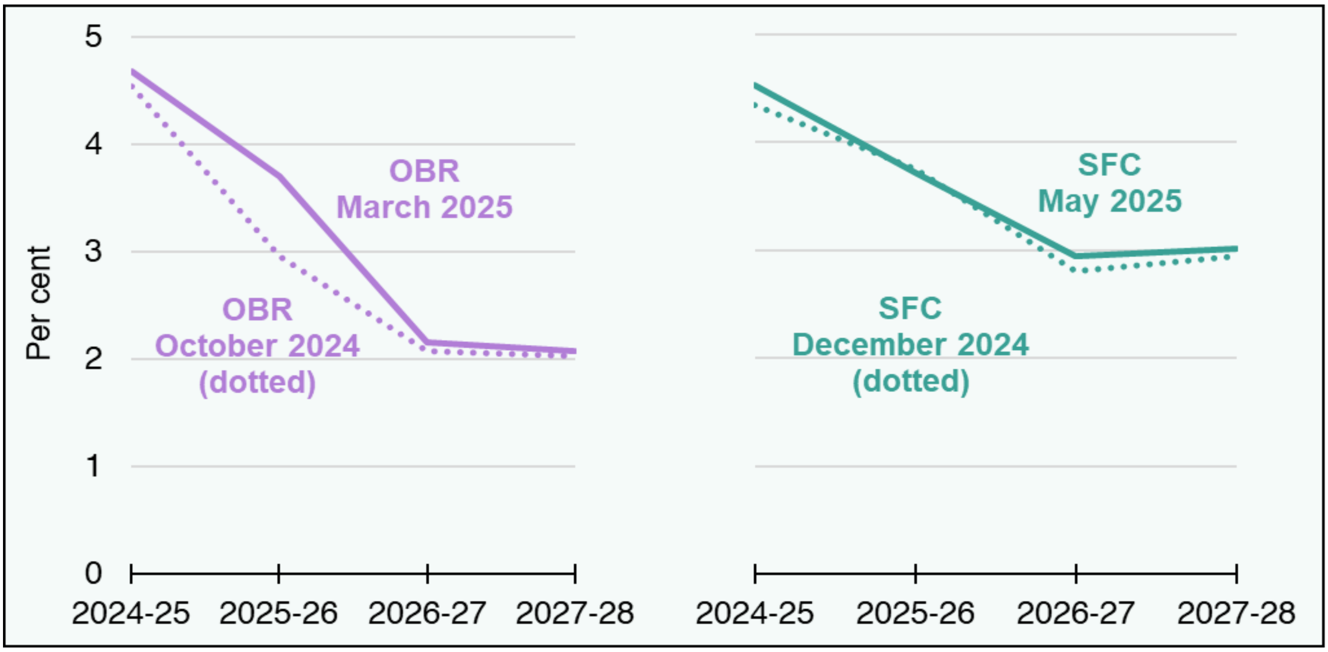
[51] Scottish Government (2025) Scottish Economic Insights: April 2025.

[52] Bank of England (2025) Agents' summary of business conditions – 2025 Q1.

3.10 From 2026-27 onwards, our earnings growth forecast for Scotland is above the OBR's for the UK. This is a similar relative position to our December 2023 and December 2024 forecasts. In these last two forecasts, we cautioned that Scottish and UK earnings growth may be more similar than suggested by the then latest SFC and OBR forecasts, and we highlighted this as a significant downside risk to the Income Tax net position. We will make an assessment about the risk for 2026-27 in our forecasts published alongside the 2026-27 Scottish Budget.

Figure 3.3: Comparison of SFC and OBR forecasts of average earnings growth

Forecasts are now the same for 2025-26 while ours is above the OBR's afterwards



Description of Figure 3.3: Line charts showing our latest forecast and the OBR's March 2025 forecast of nominal average earnings growth, alongside the previous respective forecasts published in December 2024 and October 2024. All are around 4.5 per cent in 2024-25, with the latest forecasts slowing to 3.7 per cent in 2025-26.

Source: Scottish Fiscal Commission – Scotland's Economic and Fiscal Forecasts, OBR (2024) Economic and fiscal outlook – October 2024, OBR (2025) Economic and fiscal outlook – March 2025.

3.11 For public sector earnings, our forecast is based on the policy position in December 2024 updated for the latest pay deals which are in the public domain.[53] We have also updated our December 2024 forecast of public sector employment in line with the latest information we have on pay and funding, along with assumptions about the size of the total paybill and reserved public sector employment in Scotland. Based on these assumptions, our projection of public sector employment shows a 0.1 per cent reduction in 2025-26 followed by 0.3 per cent annual reductions from 2026-27 onwards. This can be found in the Chapter 3 supplementary figures accompanying this report and available on our website.

[53] Our December 2024 forecast captured the Scottish Government's Public Sector Pay Policy published alongside the 2025-26 Scottish Budget and covering the three-year period up to 2027-28. That policy was for a 9 per cent increase over the three-year period.

3.12 We continue to monitor our Scottish Economic Policy Uncertainty Index, published for the first time in our August 2021 report.[54] In March and April 2025, the indices rose sharply for both Scotland and the UK. This reflects growing global uncertainty in anticipation of, and following, wider US tariff announcements in April. Higher uncertainty is damaging for economic growth as it causes postponement of household consumption of durable goods, and of business investment decisions. The updated Scottish indicator, covering the period up to April 2025, alongside the equivalent indicator for the UK can be found in the Chapter 3 supplementary figures accompanying this report and available on our website.

3.13 Alongside monitoring economic policy uncertainty, we are also monitoring large investment opportunities in the private and public sectors from policy areas such as energy and the net zero transition. This includes long-term investment in the expansion of electricity grid connections and transmission networks, and in the roll-out of clean energy projects. We will continue to look at such areas ahead of our next forecasts.

[54] Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – August 2021.

3.14 Figure 3.4 shows our latest economy forecast and compares with our December 2024 forecast.

Figure 3.4: Headline economy forecasts, growth rates unless otherwise specified

Per cent	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
GDP							
December 2024	1.2	1.6	1.5	1.4	1.4	1.4	
May 2025	1.2	1.2	1.8	1.7	1.6	1.6	1.6
CPI inflation							
December 2024	2.3	2.6	2.2	2.1	2.1	2.0	
May 2025	2.3	3.2	1.9	2.0	2.0	2.0	2.0
Average nominal earnings							
December 2024	4.3	3.7	2.8	2.9	2.9	2.9	
May 2025	4.5	3.7	2.9	3.0	2.9	3.0	3.0
Average real earnings							
December 2024	2.0	1.5	0.6	0.8	0.8	0.9	
May 2025	1.6	1.0	0.9	1.0	0.9	0.9	1.0
Employment							
December 2024	0.2	0.1	0.3	0.3	0.3	0.2	
May 2025	0.2	0.1	0.6	0.5	0.4	0.4	0.4
Unemployment rate							
December 2024	3.9	3.9	3.9	4.0	4.0	4.1	
May 2025	3.7	4.1	4.1	4.1	4.1	4.1	4.1

Source: Scottish Fiscal Commission – Scotland's Economic and Fiscal Forecasts.

Nominal earnings are adjusted for inflation using the Consumer Expenditure Deflator.

Given the ongoing concerns with the quality of the official labour market statistics from the Labour Force Survey and the Annual Population Survey that we usually rely on, our view of employment growth and the unemployment rate is based on a range of indicators including Real Time Information (RTI) payroll data.

Forecast comparisons

3.15 Figure 3.5 shows how our May 2025 forecast of GDP growth in each calendar year compares to a range of other forecasts for Scotland and the UK.

Figure 3.5: Forecast comparison, GDP growth rates in calendar years

Per cent	2024 outturn	2025	2026	2027	2028	2029	2030
Scotland: SFC May 2025	1.2	1.1	1.8	1.7	1.6	1.6	1.6
Scotland: FAI April 2025	1.2	0.9	1.1	1.1			
Scotland: EY March 2025	1.2	0.9	1.5	1.3			
UK: OBR March 2025	1.1	1.0	1.9	1.8	1.7	1.8	
UK: NIESR May 2025	1.1	1.2	1.5	1.2	1.4	1.6	1.7
UK: BoE May 2025	1.1	1.0	1.25	1.5			
UK: HMT average of forecasters May 2025	1.1	1.0	1.1				

Source: Scottish Fiscal Commission, Fraser of Allander Institute (2025) FAI Economic Commentary Q1 2025, EY (2025) EY ITEM Club Scottish Winter Forecast 2025 – March 2025, OBR (2025) Economic and fiscal outlook – March 2025, NIESR (2025) UK Economic Outlook: Domestic Issues Stifle Growth, Bank of England (2025) Monetary Policy Report – May 2025, HM Treasury (2025) Forecasts for the UK economy: May 2025, Scottish Government (2025) GDP Quarterly National Accounts: 2024 Quarter 4 (October to December), Office for National Statistics (2025) GDP quarterly national accounts, UK: October to December 2024.

Chapter 4
Tax

Overview

4.1 In this chapter, we present our forecast for tax revenues and explain their effect on the Scottish Budget. We discuss the latest projections of net tax positions and provide projections of indicative reconciliations to be applied in upcoming Scottish Budgets. We have also updated our analysis showing a 'policy-only' Income Tax net position.

4.2 Figure 4.1 provides a summary of our forecasts for Scottish Income Tax (SIT), Non-Domestic Rates (NDR), Land and Buildings Transaction Tax (LBTT), and Scottish Landfill Tax (SLfT). Figure 4.2 shows how these forecasts have changed since December 2024. We forecast that devolved Scottish taxes will raise a total of £24.7 billion of revenue in 2025-26, £0.1 billion more than our December 2024 forecast. More information on the taxes that we forecast is available on our website.[55]

Figure 4.1: Summary of tax forecasts

£ million	2023-24 [1]	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Scottish Income Tax	17,072	18,992	20,495	21,901	23,139	24,186	25,288	26,428
Non-Domestic Rates	3,033	3,155	3,099	3,551	3,510	3,564	3,861	3,825
Land and Buildings Transaction Tax	784	898	1,029	1,093	1,138	1,187	1,240	1,297
Scottish Landfill Tax	68	53	38	24	24	25	25	26
Total	20,958	23,098	24,660	26,570	27,812	28,962	30,415	31,576

Source: Scottish Fiscal Commission, Revenue Scotland (2024) Annual Report and Accounts 2023-24 – Devolved Taxes Accounts, Scottish Government (2024) Non-domestic rates income statistics.

Land and Buildings Transaction Tax and Scottish Landfill Tax revenues are net of repayments and exclude penalties, interest, and revenue losses.

[1] The 2023-24 column shows a forecast for Income Tax, and outturn for Non-Domestic Rates, Land and Buildings Transaction Tax, and Scottish Landfill Tax.

Figures may not sum because of rounding.

[55] Scottish Fiscal Commission – Explainers.

Figure 4.2: Changes to tax forecasts since December 2024

£ million	2023-24 [1]	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Scottish Income Tax	-243	-107	18	119	159	273	358
Non-Domestic Rates	0	-21	47	16	11	-3	-17
Land and Buildings Transaction Tax	0	-13	11	35	35	29	17
Scottish Landfill Tax	0	-1	-3	0	0	0	0
Total	-243	-142	73	170	205	299	358

Source: Scottish Fiscal Commission, Revenue Scotland (2024) Annual Report and Accounts 2023-24 – Devolved Taxes Accounts, Scottish Government (2024) Non-domestic rates income statistics.

[1] For Scottish Income Tax, these changes are relative to our December 2024 forecast. For Non-Domestic Rates, Land and Buildings Transaction Tax, and Scottish Landfill Tax, the change is zero, as outturn was reported in December 2024.

Figures may not sum because of rounding.

Scottish Income Tax

4.3 Our SIT forecast increases quickly between 2023-24 and 2024-25 reflecting growth in Pay As You Earn (PAYE) Real Time Information (RTI). The forecast then increases less quickly from 2025-26 to the end of the forecast based on our earnings and employment forecasts.

4.4 We revised down our estimate of revenue in 2023-24 based on information received from HM Revenue and Customs (HMRC) showing that growth in tax paid through Self Assessment is lower than our December 2024 forecast suggested. The downward revision in 2024-25 is explained by RTI data which was lower than we expected in our December 2024 forecast. The upward revisions from 2025-26 onwards are explained by growth in average earnings and employment, and fiscal drag. We have provided a breakdown of changes to our Income Tax forecast in Supplementary Figure S4.1 and show how changes in earnings and employment affect our forecast in Supplementary Figures S4.13 and S4.14. These can be found in the Chapter 4 supplementary figures accompanying this report and available on our website.

Non-Domestic Rates

4.5 The overall trend in our NDR forecast is for revenue to increase over the forecast period, reflecting our baseline assumption that rates will increase with inflation in years between revaluations. Figure 4.1 shows that we expect this growth to be larger from 2025-26 to 2026-27, and from 2028-29 to 2029-30. This is because there will be new valuation rolls in 2026 and 2029, and we assume that, in the first year after a revaluation, the Scottish Government sets the rates based on its expectation of the total value on the roll after all proposals and appeals have been resolved. In other years, as successful proposals and appeals erode the value on the roll, we expect smaller year-on-year increases in net revenue, or even year-on-year reductions.

4.6 Since December 2024, we have revised up our inflation forecast, which increases our forecast for NDR revenue from 2026-27 onwards. We have also included new data, including a snapshot of the valuation roll from 1 April 2025, and data on proposals and appeals up to 2024-25 Q3.

4.7 We make an assumption of how much rateable value will be lost to proposals and appeals in the current and future cycles. The latest outturn data on rateable value losses suggested our assumption of 5.0 per cent was too high, and so we have revised it down to 4.5 per cent. Applying the change to the 2023 cycle increases net revenue across the forecast, while applying it to the subsequent cycles makes their cyclical fluctuations smaller.

4.8 We have revised up our forecast of New Fibre Relief because of fibre conversion work. This progressively reduces net revenue from 2025-26 onwards. The speed and scale of this conversion are still unknown, leading to uncertainty in our forecast of the relief. We have also revised down our forecast cost of Small Business Transitional Relief for 2025-26 to match outturn.

Land and Buildings Transaction Tax

4.9 Figure 4.1 shows our five-year forecast for total net LBTT. We expect prices and transactions volumes to continue to rise as we have seen in 2024-25, driving higher tax revenues. Over 2016-17 to 2023-24, total revenue grew at an average annual rate of around 10 per cent. However, that period was characterised by high year-on-year volatility, particularly associated with COVID-19 lockdowns. Throughout our forecast, we expect revenue to grow at an average annual rate of around 8 per cent.

4.10 As shown in Figure 4.2, we have revised our forecast of total LBTT revenues up by an average of £19 million (2 per cent) a year over 2024-25 to 2029-30. This mainly stems from an upward revision to our forecast of property transactions.

Scottish Landfill Tax

4.11 We expect SLfT revenues to fall in 2025-26 and fall further thereafter, largely caused by the introduction of the Biodegradable Municipal Waste (BMW) ban on 31 December 2025. This ban will restrict what waste can legally be landfilled.

4.12 We have reduced our forecast since December 2024. This is because we expect less waste to be produced in Scotland, and because of lower outturn data in 2024-25 and a downward revision in the determinants we use to forecast waste.

Tax forecasts and the Scottish Budget

4.13 This section discusses our forecasts for Scottish Income Tax, LBTT, and SLfT alongside their corresponding Block Grant Adjustments (BGAs), which are based on forecasts by the OBR. These are shown in Figure 4.3. Tax BGAs remove funding from the Scottish Budget to account for tax devolution. Non-Domestic Rates is excluded as it has a separate funding process.[56]

[56] Scottish Fiscal Commission (2021) Funding for the Scottish Budget – May 2021.

Figure 4.3: Projected tax net positions

£ million	2023-24 [1]	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Scottish Income Tax							
BGA	-16,468	-18,431	-19,879	-20,830	-21,614	-22,287	-23,107
Scottish revenue	17,072	18,992	20,495	21,901	23,139	24,186	25,288
Net position	604	562	616	1,072	1,526	1,899	2,182
LBTT							
BGA	-526	-614	-637	-773	-892	-1,010	-1,096
Scottish revenue	784	898	1,029	1,093	1,138	1,187	1,240
Net position	259	284	393	320	246	177	144
SLfT							
BGA	-74	-76	-60	-55	-35	-34	-36
Scottish revenue	68	53	38	24	24	25	25
Net position	-6	-23	-23	-31	-10	-9	-11
Total net position	**857**	**823**	**986**	**1,361**	**1,762**	**2,067**	**2,314**

Source: Scottish Fiscal Commission, Scottish Government.

Negative figures for the net position represent a negative funding effect on the Scottish Budget, where the BGA reduces funding by more than the tax revenue raised.

[1] The 2023-24 column shows a forecast for Scottish Income Tax, and outturn for Land and Buildings Transaction Tax and Scottish Landfill Tax.

Figures may not sum because of rounding.

4.14 The projected LBTT net position is positive, though narrowing, over the forecast period. This narrowing is because of multiple factors, such as the OBR forecasting faster growth in transactions in the rest of the UK than we forecast for Scotland. This is driven by a mix of the OBR's higher assumed rate of turnover in the UK dwelling stock and the assumed effect of England-specific planning reforms.[57]

[57] OBR (2025) Economic and fiscal outlook – March 2025.

4.15 The projected SLfT net position is negative across the forecast period and is at its lowest in 2026-27, which is the first full year of the BMW ban. The BGA is based on the OBR's forecast of UK Landfill Tax, which is expected to decrease substantially in 2027-28. This is because of forecast of more waste incineration infrastructure in England, which reduces the amount of waste sent to landfill and subsequently the tax base.[58] This increases the net position from 2027-28 onwards to around negative £10 million until the end of the forecast period.

Income Tax net position and reconciliations

Income Tax net position

4.16 Figure 4.3 shows the projected Income Tax net position comparing our May 2025 Scottish Income Tax forecast to the latest forecast of the BGA based on the OBR's March 2025 forecasts. The Income Tax net position continues to be positive and rising because of the divergence in Income Tax policy between Scotland and the rest of the UK. Income Tax rates are higher and thresholds are lower in Scotland. We expect this policy divergence, when combined with fiscal drag, to contribute positively to the net position.

4.17 However, as highlighted in our previous reports, our forecast of Scottish earnings growth continues to be higher than the OBR's UK forecast from 2026-27, and this also contributes to a rising projected Income Tax net position. If the gap between Scottish and UK earnings turns out to be smaller, or if Scottish earnings growth is slower, then the net position would be lower than currently projected in Figure 4.3. We continue to judge this to be an asymmetric and downside risk to the net position.

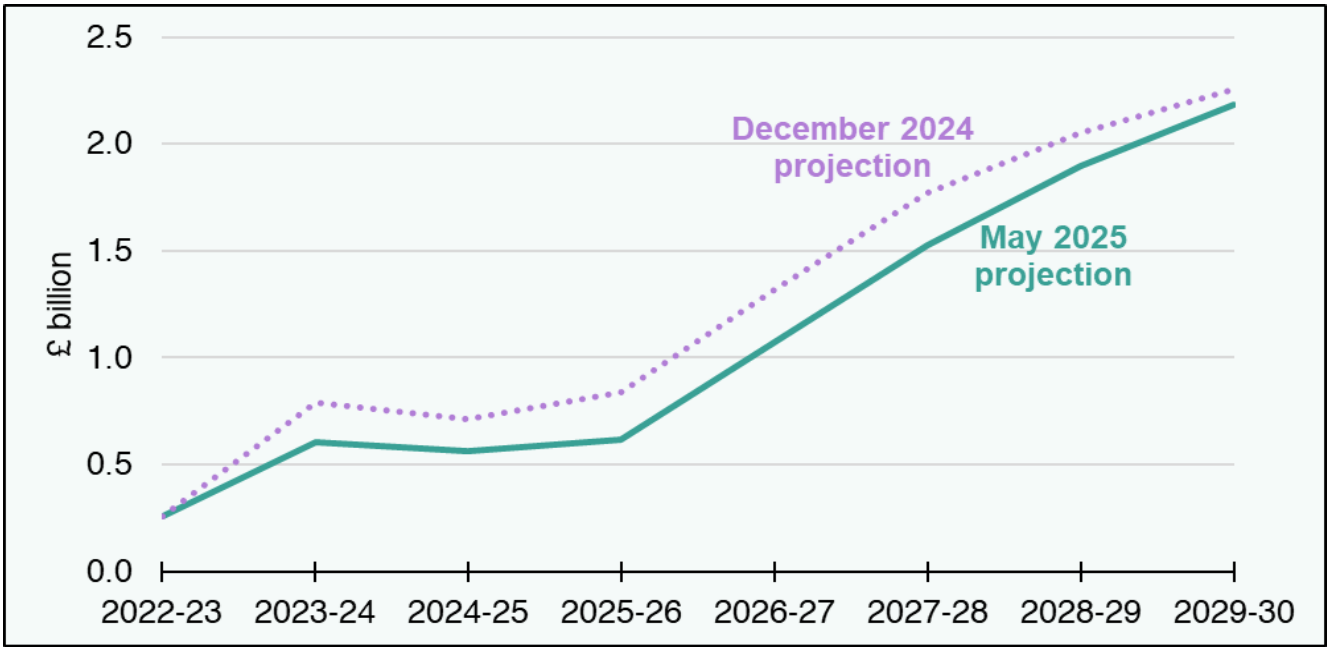
4.18 The Income Tax net position is projected to be £616 million in 2025-26, which is £222 million lower than the December 2024 projection. Our SIT forecast for 2025-26 has remained steady whereas the BGA for 2025-26 has increased as a result of the OBR updating its earnings growth forecast for the year, which now aligns more closely with ours. This is an example of the earnings risk that we have highlighted in our previous reports.

4.19 Overall, the projected Income Tax net position has decreased slightly since December 2024 across all years of our forecast period. In 2023-24 and 2024-25, the reduction in the net position is caused by downward revisions to our SIT forecast. From 2025-26 onwards, this is because increases to the BGA are larger than those made to our SIT forecast. Tables comparing our and the OBR's economic determinants can be found in Supplementary Figures S4.11 and S4.12 in the Chapter 4 supplementary figures accompanying this report and available on our website.

[58] OBR (2024) Economic and fiscal outlook – October 2024.

Figure 4.4: Change in Income Tax net position since December 2024

Net position decreases across all years largely because of increase in BGA



Description of Figure 4.4: Line chart of our previous projection (published in December 2024) and our new projection (published in May 2025) of the Income Tax net position. Both gradually rise from an initial figure of around £250 million in 2022-23 to around £2.2 billion in 2029-30, but our latest projection sits below our previous projection in all years.

Source: Scottish Fiscal Commission.

Illustrative policy-only Income Tax net position

4.20 We have updated our illustrative analysis that shows, all else equal, how much more funding the Scottish Budget could have with the current Scottish Income Tax rates and thresholds compared with those in place in the rest of the UK. We refer to the difference between these two figures as the policy-only net position.

4.21 We estimate an illustrative policy-only Income Tax net position for 2025-26 of £1,674 million. However, the actual projected Income Tax net position is £616 million. We refer to the difference between these amounts as the 'economic performance gap' and it is £1,058 million in 2025-26. Since December 2024, our estimate of the economic performance gap in 2025-26 has widened because of the now lower estimate of the Income Tax net position in this year. Estimates of previous years are available in Chapter 4 supplementary figures accompanying this report and available on our website.

4.22 The economic performance gap appears largely because of slower aggregate earnings and employment growth in Scotland compared with the rest of the UK, alongside effects from Scottish and UK policies, taxpayer behaviour, differences in the sectoral make-up of the Scottish economy, and the distribution of incomes between Scotland and the rest of the UK. We discussed how the distribution of incomes in Scotland has changed over time in Box 4.1 of our August 2024 Fiscal Update.[59]

[59] Scottish Fiscal Commission (2024) Fiscal Update – August 2024.

Indicative reconciliations

4.23 Reconciliations are applied in the Scottish Budget following the publication of outturn information on Income Tax revenues. They are calculated by comparing the Budget-setting net position to the final outturn net position. In the time between the Budget-setting forecast and the publication of outturn, we can use the latest projection of the Income Tax net position to provide an indicative projection of reconciliations. Outturn and indicative reconciliation estimates are summarised in Figure 4.5.

Figure 4.5: Outturn and indicative estimates of Income Tax reconciliations

Collection year	Applies in Budget for:	Status	Reconciliation (£ million) [1]
2020-21	2023-24	Outturn	50
2021-22	2024-25	Outturn	-390
2022-23	2025-26	Outturn	451
2023-24	2026-27	Indicative	279
2024-25	2027-28	Indicative	-851
2025-26	2028-29	Indicative	-222

Source: Scottish Fiscal Commission.

[1] For 2023-24, 2024-25 and 2025-26 these are projected reconciliations.

4.24 The latest projection of the Income Tax net position suggests that there will be a substantial negative £851 million reconciliation to be applied in the 2027-28 Scottish Budget, a £149 million decrease since December 2024. This is largely because the BGA has increased substantially more than our Scottish Income Tax forecast since the 2024-25 Scottish Budget was set, leading to the large negative reconciliation. Underlying this is the outturn data for 2022-23, and also revisions to the OBR's earnings forecast which both boosted the BGA relative to SIT.

4.25 Figure 4.5 also shows the first projection of the reconciliation to be applied in the 2028-29 Scottish Budget. With the OBR updating its earnings growth forecast, which now aligns more closely with ours in 2025-26, the subsequent decrease in the net position suggests there will be a negative £222 million reconciliation.

Figure 4.6: Change in Scottish Income Tax reconciliation figure for 2023-24

£ million	Scottish Income Tax	Block Grant Adjustment	Income Tax net position	Projected reconciliation (2026-27)
December 2022 (Budget-setting)	15,810	-15,485	325	
December 2024	17,315	-16,527	788	463
May 2025	17,072	-16,468	604	279

Source: Scottish Fiscal Commission.

Figures may not sum because of rounding.

4.26 We expect to receive final outturn data for 2023-24 in July 2025, at which point we will have a provisional final estimate for the reconciliation to be applied in the 2026-27 Scottish Budget. Figure 4.6 shows our last indicative estimate before outturn is a positive £279 million reconciliation. This estimate has decreased since December 2024 because we have revised our SIT forecast for 2023-24 downwards. We made this revision based on information we received from HMRC which suggested that growth in tax revenues paid through Self Assessment is lower than our forecast suggested.

Illustrative taxes

4.27 The Scottish Government intends to introduce Scottish Aggregates Tax (SAT) from April 2026, to replace the UK-wide Aggregates Levy.[60] When the tax rates are confirmed, we will add SAT to our main tax forecast. For now, we continue to produce an illustrative Scottish share of Aggregates Levy.

4.28 The Scottish Government also plans to introduce Air Departure Tax, to replace the UK-wide Air Passenger Duty, for which we provide an illustrative forecast.[61]

4.29 Scottish Building Safety Levy is a further planned tax, to be introduced in parallel with a Building Safety Levy in England.[62] As this does not replace a currently existing tax, we do not provide an illustrative forecast.

[60] Scottish Government – Aggregates Levy.

[61] Scottish Government – Air Departure Tax.

[62] Scottish Government – Building Safety Levy.

Uncertainties

4.30 While each set of forecasts we produce will have uncertainties, this section focuses on the specific uncertainties that affect our May 2025 tax forecast.

Income Tax

4.31 The divergence between our forecast of earnings growth in Scotland and the OBR's forecast of earnings growth in the UK continues to be the biggest risk to our projection of the Income Tax net position. We judge this to be an asymmetric and downside risk to the net position, which may lead to large negative reconciliations being applied in future Scottish Budgets. We discussed our and the OBR's earnings forecasts in more detail in our December 2024 report.[63]

4.32 Self Assessment taxpayers comprise around 12 per cent of the non-saving non-dividends tax base.[64] Growth in Self Assessment Income Tax is volatile and leads to uncertainty in our forecasts for 2023-24 and 2024-25.

4.33 We include costings from the OBR on the effect of UK Government policies on Scottish Income Tax. These costings include "indirect effects of the wider Budget package which provide the largest boost to Scottish liabilities" that are difficult to assess and could vary substantially from what was published.[65]

Non-Domestic Rates

4.34 For NDR, a large source of uncertainty is the upcoming revaluation, which means new rateable values will apply to properties from 1 April 2026. We do not yet have an imputed version of the 2026 valuation roll on which to base our 2026-27 and later forecasts. Therefore, we still forecast these years using the current valuation roll, with an adjustment to simulate the effect of each revaluation. We would expect to be able to use an imputed roll in our forecast accompanying the 2026-27 Scottish Budget.

4.35 In the current revaluation cycle, there remains considerable uncertainty about losses to proposals and appeals, following the introduction of the new system in 2023. Because appeals only take place after proposals, relatively few resolved appeals have appeared in the data.

4.36 We continue to expect the effect of Green Freeports on our NDR forecast to be small, because of the way the relief is funded. In addition, two Investment Zones are due to go live later in 2025. The relief for these is funded similarly to Green Freeports Relief, so we also expect a limited effect from these.

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

[64] HM Revenue and Customs (2024) Scottish Income Tax Outturn Statistics: 2022 to 2023.

[65] OBR (2024) Devolved tax and spending forecasts – October 2024.

Land and Buildings Transaction Tax

4.37 The Financial Conduct Authority (FCA) intends to launch a "public discussion on the future of the mortgage market" in summer 2025.[66, 67] To the extent that rules are loosened, residential property transactions and price growth may be higher than we expect. Relatedly, if net additions to the dwelling stock were to outpace our forecast, this could also drive outturn transactions to surprise on the upside.

4.38 Reclaims of Additional Dwelling Supplement (ADS) paid in 2024-25 have been higher than anticipated.[68] As of 1 April 2024, the repayments window for the ADS was extended from 18 months to 36 months. Alongside this, the ADS rate rose from 6 per cent to 8 per cent effective 5 December 2024. To the extent that a higher ADS rate discourages investors and those wanting second homes (those less likely to reclaim the ADS), we may expect the composition of those paying the ADS to shift toward home-movers (those more likely to reclaim the ADS). As such, a larger share of gross ADS may be reclaimed, perhaps more quickly, than had the ADS rate not risen. We will review our assumed repayments curve as part of our next forecast. For now, it remains unchanged from that used in our December 2024 forecast. Sensitivity analysis suggests net ADS revenues could be an average of 14 per cent (£39 million) lower a year from 2025-26 onwards than under our latest forecast if the higher reclaims were to persist.

4.39 Non-residential LBTT revenue has historically been strongly influenced by a small number of transactions in the upper end of the conveyances market. In 2023-24, 4 per cent of non-residential conveyances accounted for more than half of total non-residential LBTT revenue.[69] As such, the number of transactions in the upper end of the market is a material source of risk for revenues in future years.

[66] Financial Conduct Authority (2025) FCA sets out steps to support home ownership.

[67] Financial Conduct Authority (2025) FCA consults on steps to simplify mortgage rules.

[68] Revenue Scotland (2025) LBTT Forecasting Data – April 2025 (Table 4).

[69] Revenue Scotland (2024) LBTT Forecasting Data – June 2024 (Table 8).

Chapter 5
Social Security

Overview

5.1 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 the annual uprating of payment rates in line with inflation, which accounts for £1.0 billion of the increase, and from rising disability and carers' caseloads, which account for £1.3 billion of the increase.

5.2 Compared with our December 2024 forecast, spending has decreased by £56 million in 2025-26, but our forecast is £190 million higher in 2029-30.

Figure 5.1: Change in total social security spending since December 2024

£ million	2023-24 outturn	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
December 2024	5,330	6,224	6,930	7,471	7,922	8,321	8,754	
May 2025, of which:	5,330	6,122	6,874	7,658	8,094	8,498	8,944	9,405
Social Justice portfolio	5,279	6,062	6,801	7,588	8,024	8,428	8,874	9,335
Deputy First Minister, Economy and Gaelic portfolio	52	60	73	70	70	70	70	70
Change since December 2024	0	-103	-56	187	173	176	190	

Source: Scottish Fiscal Commission.

Figures may not sum because of rounding.

Changes since December 2024

5.3 This section describes the main elements driving the change in our forecast, the most substantial being the forecast costs of the Scottish Government's proposals to mitigate the two-child limit. In the short term, our forecast decreases because of updates to Child Disability Payment (CDP) and financial data. Figure 5.2 provides a breakdown of the changes in our forecast since December 2024.

Figure 5.2: Components of change in social security forecast since December 2024

£ million	2023-24 outturn	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
December 2024	5,330	6,224	6,930	7,471	7,922	8,321	8,754
Two-child limit mitigation				156	172	185	199
Child Disability Payment		-17	-37	-42	-48	-54	-59
Higher demand for Pension Age Disability Payment		1	12	24	28	34	40
Inflation				70	44	38	32
Financial data		-43					
Other		-44	-30	-20	-24	-27	-22
May 2025	5,330	6,122	6,874	7,658	8,094	8,498	8,944
Change since December 2024		-103	-56	187	173	176	190

Source: Scottish Fiscal Commission.

Figures may not sum because of rounding.

Two-child limit mitigation

5.4 The Scottish Government is introducing a new payment to mitigate the two-child limit in Universal Credit (UC). This was announced in the Scottish Budget 2025-26 in December 2024. This was not included in our December 2024 report as we were notified after the final policy deadline when it was too late for us to include it in our forecast.[70] We published a costing of this policy in January 2025.[71]

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

[71] Scottish Fiscal Commission (2025) Mitigating the two-child limit and the Scottish Budget.

5.5 The Scottish Government launched a consultation in February 2025 seeking views on its proposed approach to mitigating the UK Government's two-child limit policy.[72] The lead option in this consultation was in line with the assumptions we made in our costing in January 2025. Our latest forecast is consistent with our previous policy costing, except for a small increase for the latest inflation forecast. We forecast spending on this policy will be £156 million in 2026-27, rising to £199 million in 2029-30, with mitigation payments being made for around 50,000 children. This includes direct spending on mitigation payments and indirect additional spending, mainly on Scottish Child Payment.

Child Disability Payment

5.6 We have reduced our spending forecast for CDP to reflect the latest evidence on the number of children receiving the payment. The main reason for this downward revision is a change in our forecast for the number of children aged 17 and 18 receiving the payment.

5.7 In 2022 and 2023, young people who had been moved from Disability Living Allowance (DLA) for children to CDP had their CDP award extended to age 19, to give them enough time to apply for Adult Disability Payment (ADP). This led to a rise in the number of people aged 18 receiving CDP. Since the completion of the case transfer from DLA for children to CDP, if young people in CDP do not apply for ADP before reaching 18, then their CDP award ends the day before their 18th birthday. As a result, the caseload aged 18 has been falling since December 2023 as people have been applying to ADP. In our December 2024 forecast, we did not account for this change in approach for 17- and 18-year-olds.

5.8 Making the change for the 17- and 18-year-old caseload and adjusting our models to reflect the latest trends reduces our CDP forecast by £59 million in 2029-30 compared with our December 2024 forecast.

Higher demand for Pension Age Disability Payment

5.9 There has been an increase in the number of people receiving disability payments across the UK since the COVID-19 pandemic. Our previous forecast for Attendance Allowance (AA) and Pension Age Disability Payment (PADP) accounted for this increase in demand, but recent AA caseload data shows that this increase was higher than we previously forecast. We have revised our forecast to reflect the higher demand for PADP. As part of this, we have decreased our assumption of the number of applications after the national launch of PADP, as we think some of these additional clients would have already entered the caseload. This increases our forecast by £12 million in 2025-26 and £40 million in 2029-30.

Financial data

5.10 Most of our forecasts are informed by statistical data on the number of people receiving payments and on the payment amounts they receive, along with regular financial data provided by Social Security Scotland on total spending on payments. The latest financial data shows that spending for 2024-25 has been lower than previously forecast. This reduces our forecast by £43 million in 2024-25.

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[72] Scottish Government (2025) Universal Credit – mitigation of the two-child limit: consultation.

Inflation

5.11 Our inflation forecast for uprating in April 2026 onwards is consistent with the OBR's Economic and fiscal outlook published in March 2025.[73] Compared with our December 2024 forecast, inflation is expected to be 1 percentage point higher in the third quarter of 2025, increasing the forecast from 2026-27 onwards. Beyond 2025, inflation is expected to be slightly lower than in our previous forecast. Changes in our inflation assumption since December 2024 increase spending by £70 million in 2026-27, and £32 million in 2029-30.

Other

5.12 This includes data updates and changes in assumptions across payments, which in isolation have a small effect on our forecast. These changes exert upward and downward pressure on our spending forecast, with each of these affecting spending by under £35 million in any given year.

5.13 These include updating the ADP forecast to reflect the latest data provided by Social Security Scotland, updating the percentage of people receiving a disability payment who also have a carer in receipt of Carer Support Payment (CSP), updating our population assumptions, and adjusting the eligibility and take-up assumption for the five family payments.

Funding related to social security

5.14 The Scottish Government receives funding for social security from the UK Government through the social security Block Grant Adjustments (BGAs). The amount of BGA funding is broadly based on the outturn and spending forecast in England and Wales on equivalent payments. When the UK Government introduces a policy in England and Wales for a payment with an associated BGA, and that policy leads to a change in the level of spending, then there is a proportional effect on the level of BGA funding the Scottish Government receives.

5.15 The Scottish Government also receives a much smaller amount of social security related funding through the general Block Grant, but it is not possible to attribute this funding to individual payments. In addition, there are payments unique to Scotland introduced by the Scottish Government that must be funded entirely from the Scottish Budget.

5.16 Total social security spending by the Scottish Government exceeds the BGA funding it receives. The main reason for this is the higher spending on payments with a BGA, because of the policy choices and delivery changes made by the Scottish Government and because of spending on payments unique to Scotland introduced since 2018, which do not receive BGA funding. Another factor has been UK Government changes to payments in England and Wales, which have reduced BGA funding estimates.

[73] OBR (2025) Economic and fiscal outlook – March 2025.

5.17 The social security spending above the BGA funding can be considered as the effect of social security devolution and policy changes on the Scottish Budget. This is expected to increase from £0.9 billion in 2023-24 to £2.2 billion by 2030-31.

Figure 5.3: Effect of social security spending forecast on the Scottish Budget

£ million	2023-24 outturn	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Social security net position [1] [2], of which:	-198	-156	-474	-603	-751	-883	-980	-1,079
Spring Statement 2025 measures [3]				-12	-169	-329	-440	
Other	-198	-156	-474	-591	-582	-554	-540	
Spending on payments without a BGA, of which:	-701	-765	-795	-984	-1,023	-1,054	-1,081	-1,107
Payments unique to Scotland [4]	-569	-606	-638	-827	-864	-894	-920	-944
Other social security spending [5]	-132	-159	-157	-157	-159	-160	-161	-162
Effect on the Scottish Budget	-899	-922	-1,269	-1,587	-1,773	-1,936	-2,062	-2,186

Source: Scottish Fiscal Commission, OBR (2025) Economic and fiscal outlook – March 2025.

[1] This includes the disability payments, Carer Support Payment, winter heating payments for adults and Employment Injury Assistance.

[2] The 2030-31 BGA has been estimated by the Scottish Fiscal Commission, whereas specific payment BGA estimates up to 2029-30 have been agreed by the Scottish Government and HM Treasury.

[3] Estimated effect on the BGA funding of the policy measures on incapacity and disability benefits costed in the UK Government Spring Statement 2025.

[4] 'Payments unique to Scotland' includes Scottish Child Payment, Carer's Allowance Supplement, Child Winter Heating Payment, Best Start Grant Early Learning Payment, Best Start Grant School Age Payment, and the two-child limit mitigation payment. We also include spending through Discretionary Housing Payments on bedroom tax mitigation and the extra costs of the commitment to mitigating Benefit Cap deductions.

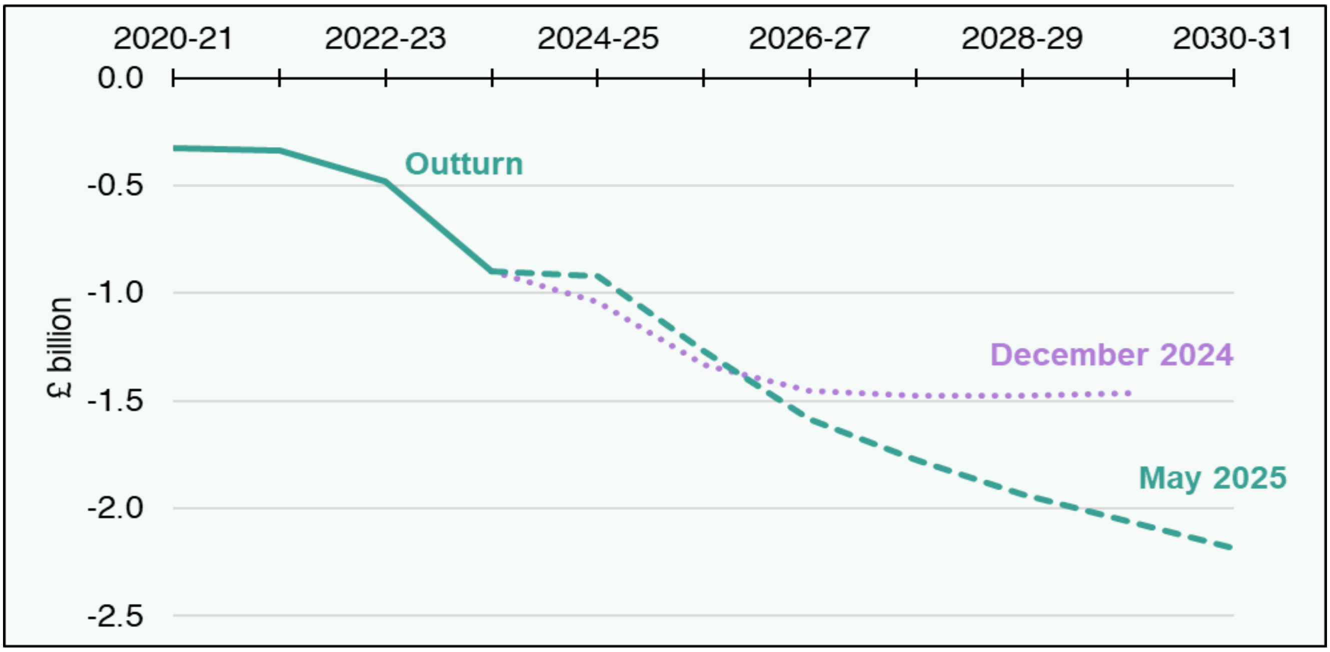
[5] 'Other social security' includes spending on Best Start Grant Pregnancy and Baby Payment, Best Start Foods, Discretionary Housing Payments, Funeral Support Payment, Employability Services, and the Scottish Welfare Fund. Funding for these payments comes through the general Block Grant and it is not possible to provide an estimate of funding received for individual payments.

Figures may not sum because of rounding.

5.18 Since December 2024, the effect of social security spending on the Scottish Budget has widened by £0.6 billion in 2029-30. This is mainly because of the measures announced by the UK Government in March 2025, which reduce the funding received through the BGAs by £0.4 billion in 2029-30, and the inclusion of the two-child limit mitigation policy announced by the Scottish Government, which increases spending by £0.2 billion in 2029-30.

Figure 5.4: Effect of latest social security spending forecast on the Scottish Budget, compared with December 2024 forecast

UK and Scottish Government policy changes widen the social security effect on the Scottish Budget



Description of Figure 5.4: Line chart showing the effect of social security spending on the Scottish Budget under our previous estimate (published in December 2024) and our latest estimate (published in May 2025). Latest policy decisions are expected to widen the effect of social security spending on the Scottish Budget by £0.6 billion in 2029-30.

Source: Scottish Fiscal Commission.

BGAs before 2023-24 have not yet been updated to take account of revised population estimates.

The 2030-31 BGA has been estimated by the Scottish Fiscal Commission, whereas specific payment BGA estimates up to 2029-30 have been agreed by the Scottish Government and HM Treasury.

Social security net position

5.19 For payments where the Scottish Government receives associated BGA funding, we refer to the gap between BGA funding and spending as the social security net position. In previous forecast reports we have discussed the effect of the Scottish Government's approach for social security payments. Policy and delivery changes introduced by the Scottish Government have increased spending in Scotland above the respective BGA funding, and we expect the difference to grow in the future. The difference between the spending on replacement social security payments and the BGA funding is now evident in outturn for 2023-24, where spending exceeded BGA funding by £0.2 billion.

5.20 After our December 2024 forecast, the UK Government announced several policy measures, in March 2025, to reform elements of the UK welfare system with the aim of reducing spending and helping disabled people and people with long-term health conditions into employment. These measures include changes that are expected to reduce spending on Personal Independence Payment (PIP) and Carer's Allowance in England and Wales. Consequently, this reduces the BGA funding the Scottish Government receives by £0.4 billion in 2029-30. This further widens the Scottish Government's social security net position. More details of the UK Government changes are presented in Box 5.1.

Box 5.1: UK Government Spring Statement 2025 – Benefit Reform

The UK Government announced a set of measures which the OBR has assessed will reduce UK Government spending on welfare payments and funding transfers by £4.8 billion in 2029-30. Changes to incapacity and disability benefits can be split between changes to reserved payments and changes that affect the funding the Scottish Government receives for devolved payments. These include:

Changes to reserved benefits

These changes do not directly affect the funding received by the Scottish Government through BGAs, but may have some indirect effects on devolved social security spending and funding:

- Freezing the weekly value of the UC health elements for existing clients to £97 and halving it to £50 for new applications. This is expected to reduce spending by £3.0 billion in 2029-30.
- Increasing the weekly UC standard allowance rates. This is expected to increase spending by £1.9 billion in 2029-30.
- Not taking forward previously announced changes to the work capability assessment eligibility criteria in UC. This is expected to increase spending by £1.6 billion in 2029-30.

Changes to benefits directly affecting the BGA net position

- Tightening the qualifying criteria for the daily living component of PIP. This is expected to reduce the number of people receiving PIP by 400,000 in England and Wales in 2029-30. This measure is forecast to reduce spending on disability and carer benefits in England and Wales by £3.9 billion in 2029-30.

The change to PIP will only apply to people in England and Wales, but the reduction in spending leads to a reduction in the BGA funding the Scottish Government will receive. The forecast for the tightening of the PIP qualifying criteria contains a considerable behavioural response which the OBR has noted is highly uncertain. This means there is uncertainty about the scale of the effect on Scottish Government BGA funding.

The UK Government has also committed to spend an additional £1 billion to support disabled people and those with health conditions into employment. This may generate some consequential funding through the general Block Grant.

The latest BGA position does not reflect all the measures announced by the UK Government in March 2025. The OBR did not cost the removal of the work capability assessments for UC and the linking of the UC health element to the PIP assessment as it had insufficient information on the policy. In particular, it is not clear how entitlement for the UC health element will be decided in Scotland where PIP has been replaced by ADP. This measure could affect Scottish Government spending and BGA funding for several devolved payments.

5.21 Our forecast spending on PADP has increased because of higher demand seen across the UK. The OBR has increased its forecast by a proportional amount, so the increase in PADP spending is matched by a similar increase in the AA BGA. The reduction in our forecast for CDP narrows the funding gap between CDP and the DLA BGA.

5.22 The Independent Review of ADP will publish its final report at the end of July 2025. This is expected to include recommendations for changes to ADP. The Scottish Government plans to respond to the review in early 2026. If the Scottish Government makes changes to ADP in response to the review, and these changes lead to an increase in spending, then the social security net position could widen further.

Spending on payments without a BGA

5.23 In addition to the payments with a corresponding BGA, there are two other groups of social security payments. The first group are payments introduced by the Scottish Government which are unique to Scotland, such as Scottish Child Payment, Carer's Allowance Supplement, Child Winter Heating Payment, and the proposed two-child limit mitigation payment. The cost of these is estimated to increase each year, rising from £638 million in 2025-26 to £944 million in 2030-31. Compared with our December 2024 forecast, the inclusion of the two-child limit mitigation policy has increased our forecast by £156 million in 2026-27, rising to £199 million in 2029-30.

5.24 The second group is 'Other social security spending', which includes Scottish Government payments that replaced UK Government payments without an associated BGA. Spending on these payments has remained stable across the forecast period.

Forecast for individual payments

5.25 In this section, we present a summary of our social security forecasts. This contains 2023-24 outturn spending, the 2024-25 in-year forecast, and our forecast for each payment up to 2030-31.

5.26 Disability and carer payments account for 87 per cent of the spending on payments within the Social Justice portfolio. ADP is the largest payment, accounting for 58 per cent of spending. Our ADP forecast is broadly consistent with our December 2024 forecast, with small updates made to reflect the most recent data.

5.27 Our forecast includes elements of employability support services under the Deputy First Minister, Economy and Gaelic portfolio. These are approximately £70 million a year from 2025-26 onwards.

Figure 5.5: Social security spending forecast

£ million	2023-24 outturn	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Social Justice portfolio								
Adult Disability Payment [1]	2,632	3,120	3,590	4,020	4,355	4,680	5,040	5,418
Best Start Foods	13	16	17	19	20	20	21	21
Best Start Grant	21	20	21	22	22	22	23	24
Carer's Allowance Supplement	48	54	64	68	71	73	76	80
Carer Support Payment [2]	358	389	452	505	525	545	570	594
Child Disability Payment	425	512	581	639	664	682	699	715
Child Winter Heating Payment	8	10	11	12	13	14	14	14
Discretionary Housing Payments	82	87	93	100	105	110	114	119
Employment Injury Assistance [3]	81	82	83	83	83	81	79	77
Funeral Support Payment	13	12	14	14	15	15	15	16
Pension Age Disability Payment [4]	659	759	844	917	961	999	1,038	1,078
Pension Age Winter Heating Payment [5]		29	98	103	103	105	109	113
Scottish Adult Disability Living Allowance [6]	445	431	399	373	345	318	292	268
Scottish Child Payment	429	454	467	489	503	512	517	523
Scottish Welfare Fund	36	53	36	36	36	36	36	36
Severe Disablement Allowance	6	5	5	4	3	3	3	2
Two-child limit mitigation payment				155	170	182	194	204
Winter Heating Payment	23	29	28	30	31	32	33	34
Deputy First Minister, Economy and Gaelic portfolio								
Employability Services [7]	52	60	73	70	70	70	70	70
Total spending	5,330	6,122	6,874	7,658	8,094	8,498	8,944	9,405

Source: Scottish Fiscal Commission, Scottish Government.

The 2030-31 BGA has been estimated by the Scottish Fiscal Commission, whereas specific payment BGA estimates up to 2029-30 have been agreed by the Scottish Government and HM Treasury.

[1] Adult Disability Payment is replacing Personal Independence Payment. Figures include spending on Personal Independence Payment until case transfer is complete.

[2] Carer Support Payment is replacing Carer’s Allowance. Figures include spending on Carer’s Allowance until case transfer is complete, and Carer Additional Person Payment which will be introduced after case transfer is complete.

[3] The forecast of Employment Injury Assistance is an indicative forecast and includes our estimate of the change in the baseline Industrial Injuries Disablement Scheme and changes arising from the introduction of Employment Injury Assistance.

[4] Pension Age Disability Payment replaces Attendance Allowance. Figures include spending on Attendance Allowance until case transfer is complete.

[5] Pension Age Winter Heating Payment replaced Winter Fuel Payment in winter 2024-25.

[6] Scottish Adult Disability Living Allowance includes our estimate of Disability Living Allowance and changes arising from the introduction of Scottish Adult DLA.

[7] The forecast of Employability Services is an indicative forecast and includes spending on Fair Start Scotland and elements of No One Left Behind.

Figures may not sum because of rounding.

Additional information

Abbreviations

AA	Attendance Allowance
ADP	Adult Disability Payment
ADS	Additional Dwelling Supplement
BGA	Block Grant Adjustment
BMW	Biodegradable Municipal Waste
BoE	Bank of England
CDP	Child Disability Payment
CPI	Consumer Prices Index
CSP	Carer Support Payment
DLA	Disability Living Allowance
DWP	Department for Work and Pensions
EY	Ernst and Young
FAI	Fraser of Allander Institute
FCA	Financial Conduct Authority
FFFPs	Fine, Forfeitures, and Fixed Penalties
FSDP	Fiscal Sustainability Delivery Plan
FTs	Financial Transactions
GDP	Gross Domestic Product
GP	General practitioner
HMRC	His Majesty's Revenue and Customs
HMT	His Majesty's Treasury
LBTT	Land and Buildings Transaction Tax
MTFS	Medium-Term Financial Strategy
NDR	Non-Domestic Rates
NHS	National Health Service
NICs	National Insurance Contributions
NIESR	National Institute of Economic and Social Research
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
PADP	Pension Age Disability Payment
PAYE	Pay As You Earn
PIP	Personal Independence Payment

POCA	Proceeds of Crime Act
PRBs	Pay Review Bodies
PSPP	Public Sector Pay Policy
RPI	Retail Prices Index
RTI	Real Time Information
SAT	Scottish Aggregates Tax
SFC	Scottish Fiscal Commission
SIT	Scottish Income Tax
SLfT	Scottish Landfill Tax
UC	Universal Credit
UK	United Kingdom
US	United States

A full glossary of terms is available on our website: Glossary | Scottish Fiscal Commission.

Professional standards

The Scottish Fiscal Commission is committed to fulfilling our role as an Independent Fiscal Institution, in line with the principles set out by the Organisation for Economic Co-operation and Development (OECD).[74]

The Scottish Fiscal 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.[75]

Correspondence and enquiries

We welcome comments from users about the content and format of our publications. If you have any feedback or general enquiries about this report or the Scottish Fiscal Commission, please contact info@FiscalCommission.scot. Press enquiries should be sent to press@FiscalCommission.scot.

All charts and tables in this report 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:

Economy	Silvia Palombi	Silvia.Palombi@FiscalCommission.scot
Public funding	Ross Burnside	Ross.Burnside@FiscalCommission.scot
Tax	Will Jones	Will.Jones@FiscalCommission.scot
Social security	Francisco Forner	Francisco.Forner@FiscalCommission.scot

[74] OECD (2014) Recommendation of the Council on Principles for Independent Fiscal Institutions.

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

This publication is available at www.FiscalCommission.scot

ISBN: 978-1-911637-81-3

Published by the Scottish Fiscal Commission, May 2025