

25 June 2025

SCOTTISH GOVERNMENT WELL PLACED TO COMPLETE CHALLENGING SPENDING REVIEW

The Scottish Fiscal Commission has today published an update to its economic and fiscal forecasts alongside the Scottish Government's Medium-Term Financial Strategy. It reflects changes since the Commission published its forecasts on 29 May including the UK Government's Spending Review and new Scottish Government tax and social security policies.

Total funding in 2026-27 will be £61.3 billion rising to £66.5 billion by 2029-30. The funding available for day-to-day spending next year is £54.0 billion, or £46.3 billion after social security spending is deducted. In 2029-30, £59.1 billion is expected to be available for day-to-day spending and £50.1 billion after social security spending.

The Scottish Government now has the information it needs to complete its spending review, which it intends to publish later in the year alongside the 2026-27 Scottish Budget. With the Government also now estimating that day-to-day spending will be likely to exceed the funding available by up to £2.6 billion in 2029-30 it has set out broad plans to control spending, including through reductions in public sector employment.

The Commission's Chair, Professor Graeme Roy, said

"Now that we have the detail on funding following the UK Spending Review earlier this month, the Scottish Government has the information it needs to complete its own spending review."

"With the Scottish Government's Medium-Term Financial Strategy highlighting a 'fiscal gap' between spending and funding, it is vital that this review carefully assesses the priorities across all areas of their spending."

"The Government have today set out their broad intention on how they intend to manage some of these fiscal pressures. But with growing commitments on public sector pay and social security, alongside longer term pressures from an ageing population and climate change, it is important that these ambitions are turned into concrete action."

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Notes for Editors

1. The Commission's Report, [Scotland's Economic and Fiscal Forecasts Update – June 2025](#) is available on our website. Background information is also available including spreadsheets with data for tables and charts.
2. The report contains updated information on Scottish Government funding following the UK Government's Spending Review on 11 June 2025 as well as an estimated Block Grant Adjustment funding following the recent changes to the Winter Fuel Payment in England and Wales. It also includes new forecasts following the announcement today, 25 June 2025, that the rate of Scottish Aggregates Tax will align with that of the UK Aggregates Levy and an update for the recent announcement that the Two Child Limit payment will launch in March 2026 rather than April as we had assumed in our May forecasts. Since our May publication the funding for day-to-day spending has fallen by £102 million in 2026-27 and by £542 million in 2029-30.
3. The report does not include a formal forecast for the changes in Pension Age Winter Heating Payment that were announced on 18 June. The Scottish Government informed us of these changes on 16 June once it had information on funding and policy arrangements from the UK Government. It was too late for us to produce a full costing that took account of potential behavioural responses and other factors. However, we have included an illustrative estimate of the costs to demonstrate the potential effects on the Budget. The Scottish Government has included an equivalent estimate in its MTFS spending projections. We will publish a formal costing in due course.
4. 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. We decided to proceed with the publication of our economic and fiscal forecasts on 29 May 2025 to assist in Parliamentary scrutiny as all the necessary forecasting, analysis and engagement with the Scottish Government had taken place by the time we were informed of the delay. Today we have published an update alongside the Scottish Government's MTFS.
5. We will be publishing a Fiscal Update on 26 August. This will report on the implications for the Scottish Government's fiscal outlook of new information that has become available since June 2025. This will include outturn data for Scottish Income Tax in 2023-24. To aid Parliament's pre-Budget scrutiny the update will also provide commentary on the pressures facing the Scottish Budget.
6. The Scottish Fiscal Commission is the independent fiscal institution for Scotland, established by the Scottish Fiscal Commission Act 2016. Our statutory duty is to provide the independent and official forecasts of Scottish GDP, devolved tax revenue, and devolved social security spending, for the Scottish Government to use in its Budget and financial planning.

7. Our forecasts represent the collective view of the Scottish Fiscal Commission, comprising the Commissioners: Professor Francis Breedon, Professor Domenico Lombardi, Professor David Ulph, and the Chair, Professor Graeme Roy.

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