Collette Stevenson MSP
Convener
Social Justice and Social Security Committee

The Scottish Parliament
Edinburgh
EH99 1SP

13 January 2026

Dear Convener,

Today the Scottish Fiscal Commission published Scotland's Economic and Fiscal Forecasts – January 2026, presenting our latest forecasts for the economy, tax revenues and social security. We also published our assessment of the Government's funding plans and some commentary on the spending plans announced in the Budget and Spending Review.

In our report we show how, with limited growth in funding, the Scottish Government is using the flexibilities at its disposal to smooth funding over the next four years of the Spending Review as well as seeking ambition savings, including through public services reforms, efficiencies, and cuts to the public sector workforce.

Delivering on these plans will be key to managing future spending pressures on public sector pay and further growth in demand-led social security payments, as well as the longer-term pressures associated with an ageing population and net zero targets.

We forecast spending on social security will increase from £7.4 billion in 2026-27 to £9.2 billion in 2030-31. This growth is driven partly by annual increases in payment rates in line with inflation and partly by an expected increase in the number of people receiving disability and carer payments.

Compared with our December 2024 forecasts, spending is forecast to be £66 million lower in 2026-27, and £4 million higher in 2029-30. The largest change is the decrease in our forecast for disability and carer payments. This decrease is partially offset by an increase in spending on Pension Age Winter Heating Payment (PAWHP), and higher uprating of payments.

Our forecasts include the new higher rate of Scottish Child Payment for children under one, to be launched during 2027-28. We forecast this will have annual costs of around £7 million from 2028-29.

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Since June 2025, the effect of social security on the Budget has narrowed by £0.8 billion in 2029-30. The UK Government’s removal of the two-child limit from Universal Credit, and the resulting cancellation of the Scottish Government’s planned Two Child Limit payment, reduces the forecast of Scottish Government spending by £159 million in 2029-30. Furthermore, the UK Government’s reversal of PIP eligibility restrictions increases forecast funding received by the Scottish Government through BGAs by £476 million by 2029-30.

I look forward to giving evidence on our report on 29 January 2026 and I am happy to discuss any aspect of our report.

Yours sincerely

GDRoy

Professor Graeme Roy

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