

25 February 2026

CHALLENGING FISCAL OUTLOOK FOR THE NEXT SCOTTISH PARLIAMENT ELECTED IN MAY

Today the Scottish Fiscal Commission sets out the fiscal pressures facing the next Scottish Parliament to be elected in May. Drawing on its previous work on the Scottish Budget and fiscal sustainability, the Commission has looked ahead to the fiscal context facing the next Parliament.

The Commission thinks that the fiscal outlook is likely to be challenging, because of substantial funding and spending pressures confronting any incoming government, and the lasting effects of previous policy choices.

The demand for public services is expected to rise. By the end of the next Parliament in 2031, nearly a quarter of people in Scotland will be over 65, one million people will receive disability payments and living standards are expected to increase by less than 1 per cent per year.

The Scottish Parliament has also legislated targets on reducing child poverty by 2030 and needs to make progress towards net zero. Meeting these will require spending by the Scottish Government.

The Scottish Government is already under pressure to manage the size and cost of the public sector workforce. The current Scottish Government's Spending Review in January committed to £1.5 billion of savings over the first three years of the next Parliament.

The Commission's Chair, Professor Graeme Roy, said

“Political parties must be realistic and open when making new commitments ahead of the May election. Their manifestos should make clear where additional spending pledges imply higher taxes or reductions in other areas of public spending.

The new Scottish Government must explain how it intends to address Scotland's fiscal pressures, enabling Parliament to debate and determine the most effective response to the challenges set out in this report.

Whatever priorities it chooses, the next Scottish Government must ensure that Scotland's public finances are on a sustainable path.”

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Notes for Editors

1. The Scottish Fiscal Commission's Report **Fiscal Sustainability Perspectives: What Scotland's finances mean for the next Parliament** is available now. Background information is available including spreadsheets with data for tables and charts.

2. The report summarises the fiscal pressures we have identified in our five-year forecasts and our longer term work on fiscal sustainability which the next parliament will need to address. These pressures include:

- Recent trends in Scottish Government funding and spending and the outlook for the next five years indicate a need for savings to be made. The Scottish Government set out its plans for how it will balance the budget for the next three years at the January 2026 Scottish Spending Review, **committing to £1.5 billion of savings**.
- **The devolved public sector paybill** is 55 per cent of day-to-day spending in 2025-26. The current Scottish Government wants to manage its pay costs and reduce its workforce numbers but there is only limited evidence of workforce reductions or pay restraint happening to date.
- The Scottish Parliament has set legislative targets around reducing **child poverty** for 2030 and interim targets have already been missed. The flagship policy has been the Scottish Child Payment, in January 2026, we forecasted that the Scottish Child Payment will cost £522 million by 2030- 31.
- Issues such as population ageing and ongoing slow growth in living standards mean **greater demand on public services** while performance of several key public services has been falling.
- An increase in the rates of disability across the whole of the UK means **increased social security spending**. The Scottish Government's social security spending is expected to reach 15 per cent of day-to-day spending by the end of the next Parliament.
- Responding to **climate change** will impact on the Scottish public finances in the next parliament and beyond. We estimate that reducing carbon emissions will cost the Scottish Government **£0.7 billion a year on average (in 2025 26 prices) from 2026 to 2050**. Damage from climate change and adaptation to climate change are likely to bring higher costs.
- A **national housing emergency** was declared in May 2024 and the capital budget for housing was increased and will grow to 18 per cent of capital spend in 2028-29, while projections for total capital funding are tight.

The next Scottish Government may choose different approaches to taxes and spending to those set out by the current government.

3. 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. The Commission's forecasts will also assist the Parliament's scrutiny of the Scottish Budget and Budget Bill.

4. Our report represents the collective view of the Scottish Fiscal Commission, comprising the Commissioners: Justine Riccomini, Dr Eleanor Ryan, and the Chair, Professor Graeme Roy.