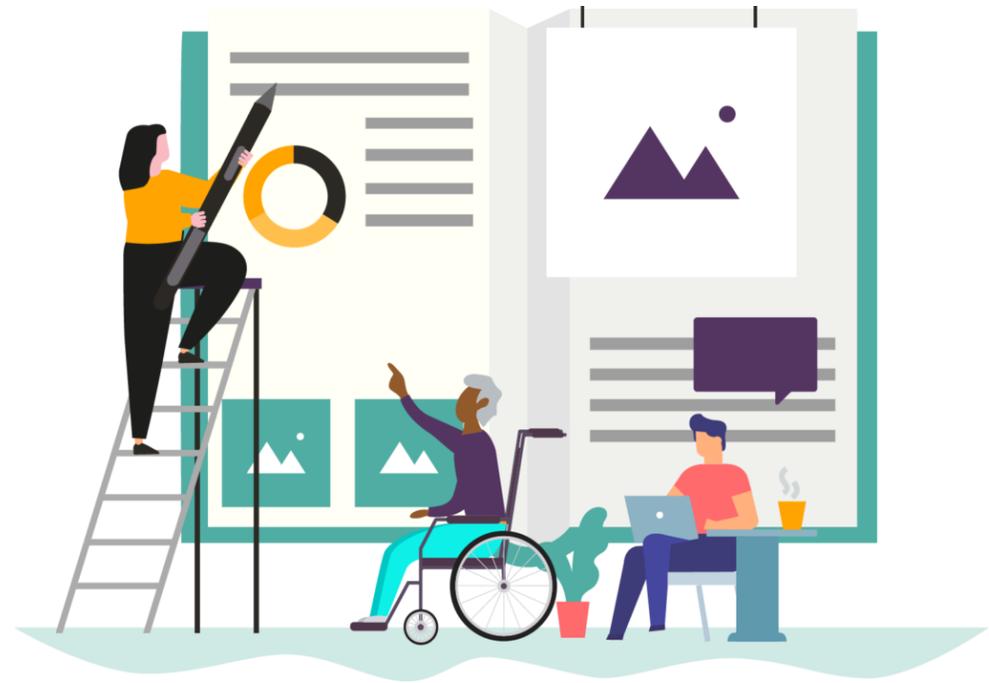


25 February 2026

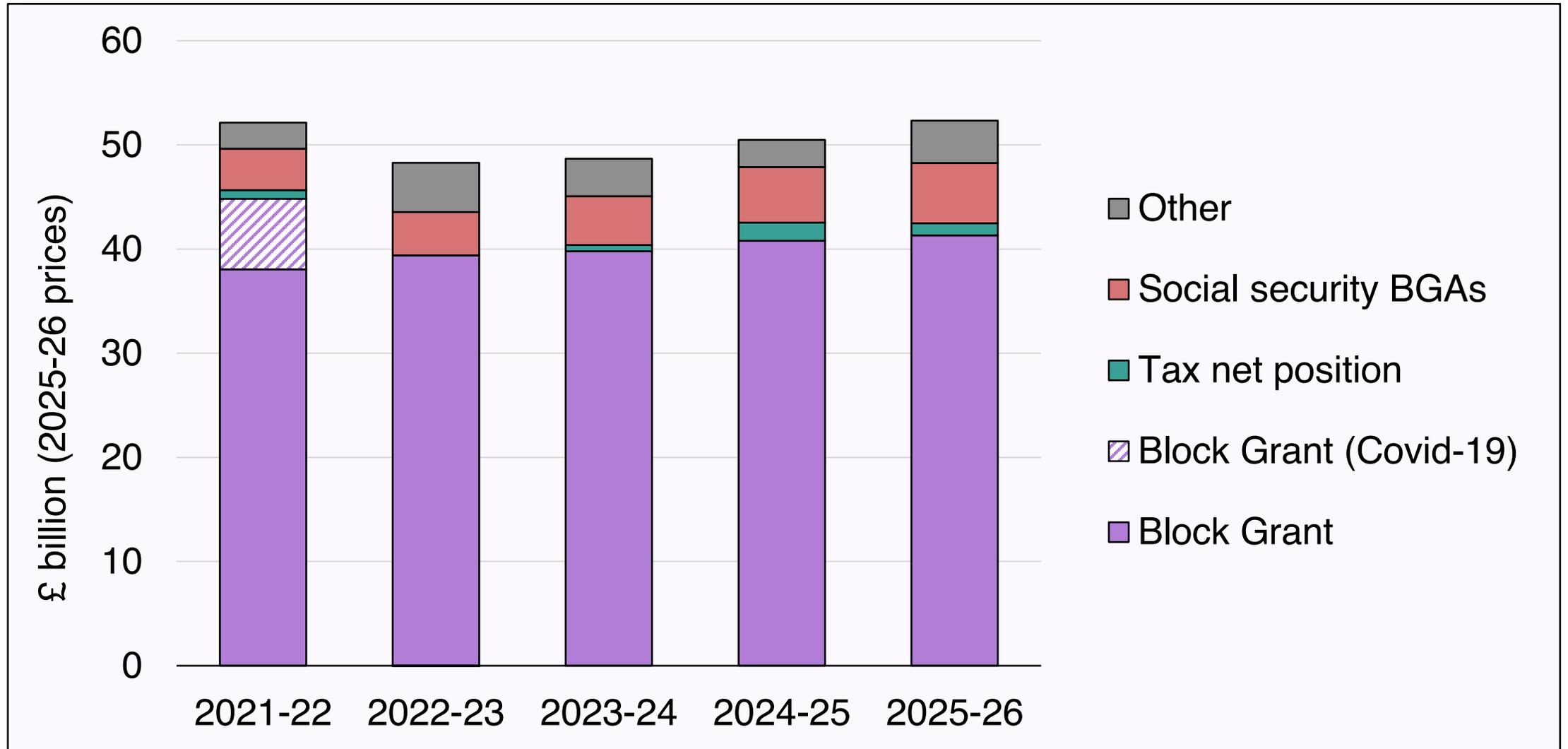
Fiscal sustainability perspectives: What Scotland's finances mean for the next parliament

Prof. Graeme Roy
Chair

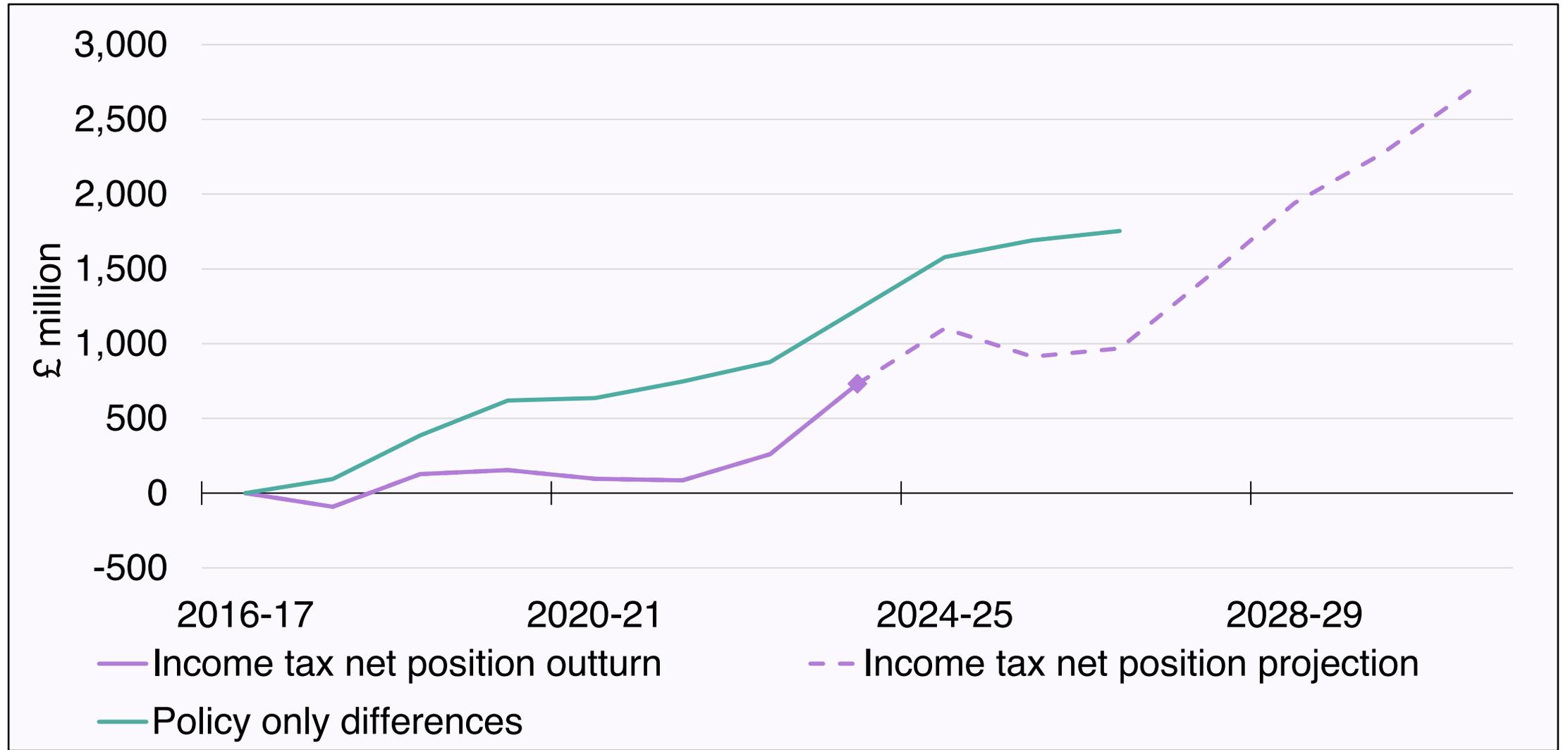


Funding and Spending

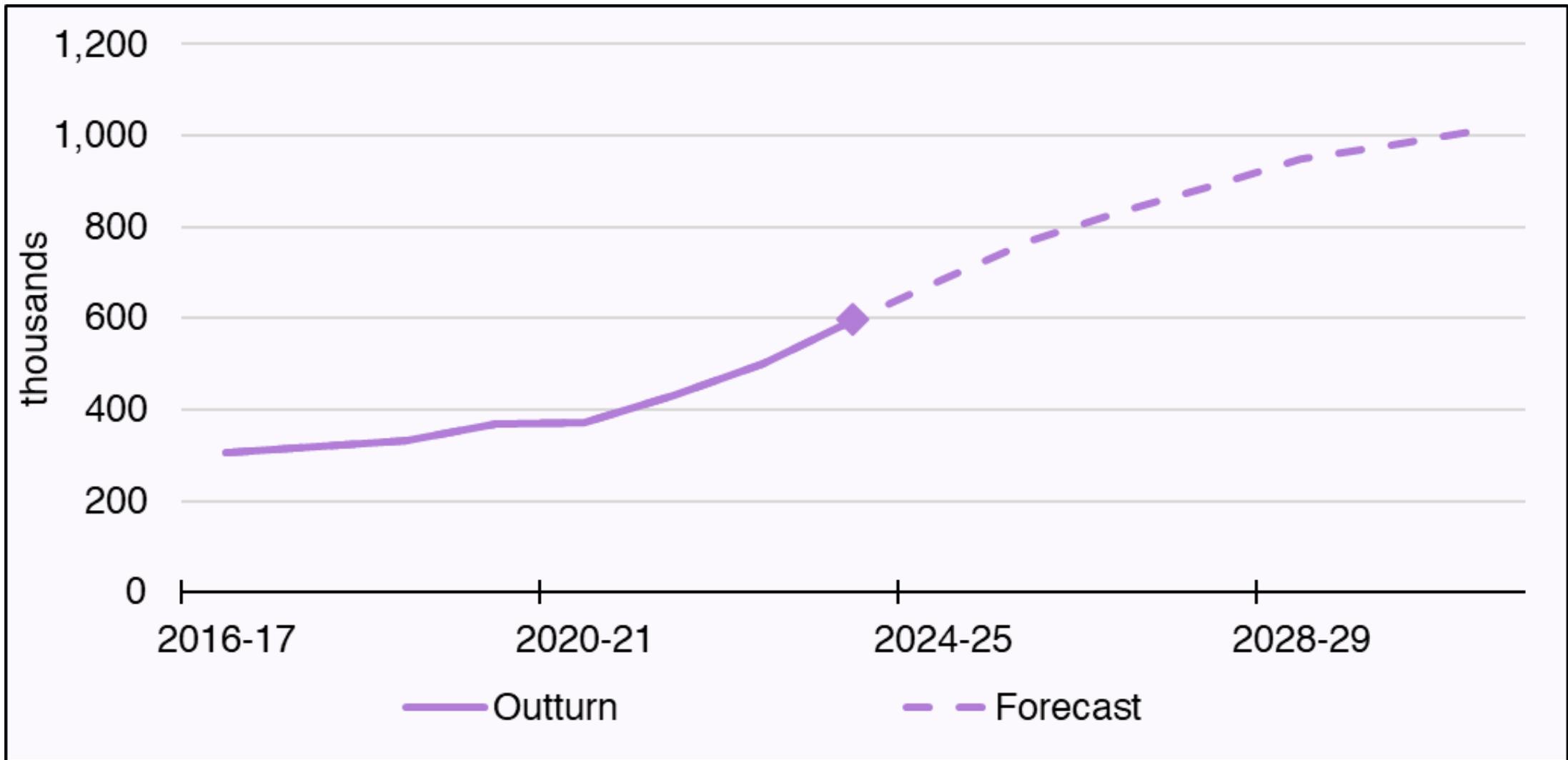
The Block Grant is the largest funding source, but tax and social security funding is growing



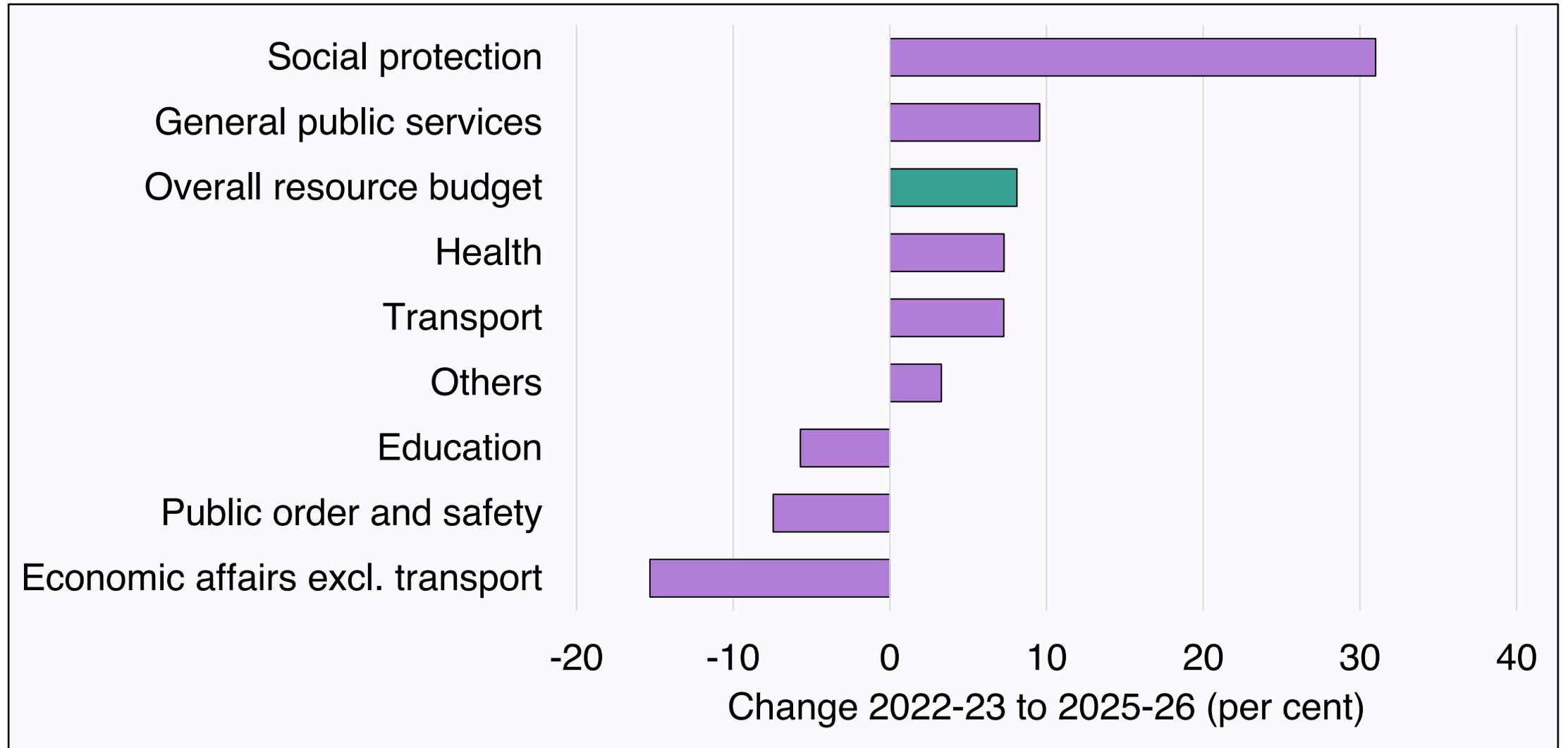
The Income Tax net position is increasingly positive



Fiscal drag means the number of taxpayers paying at least the higher rate is rising

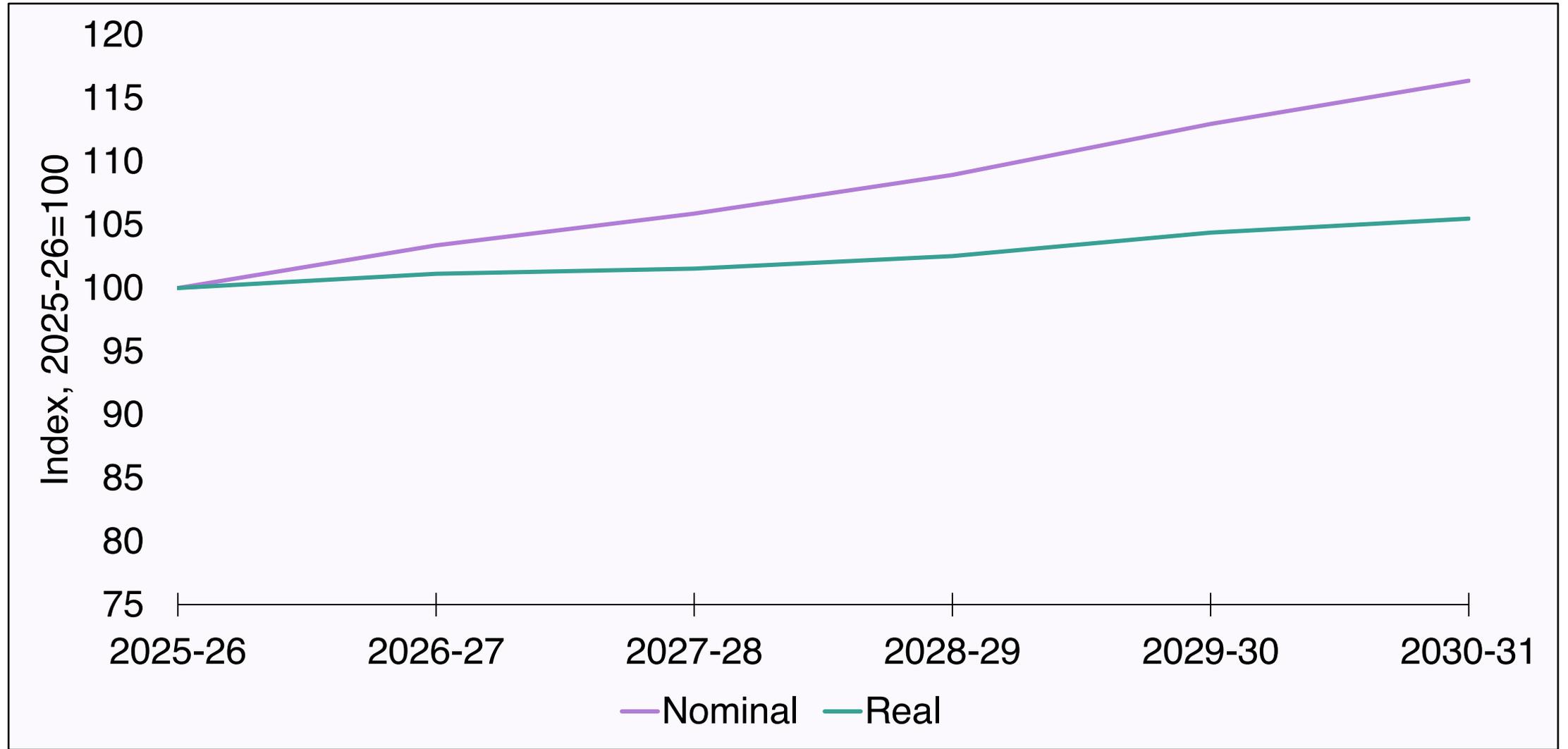


Social protection has seen the most growth in day-to-day spending

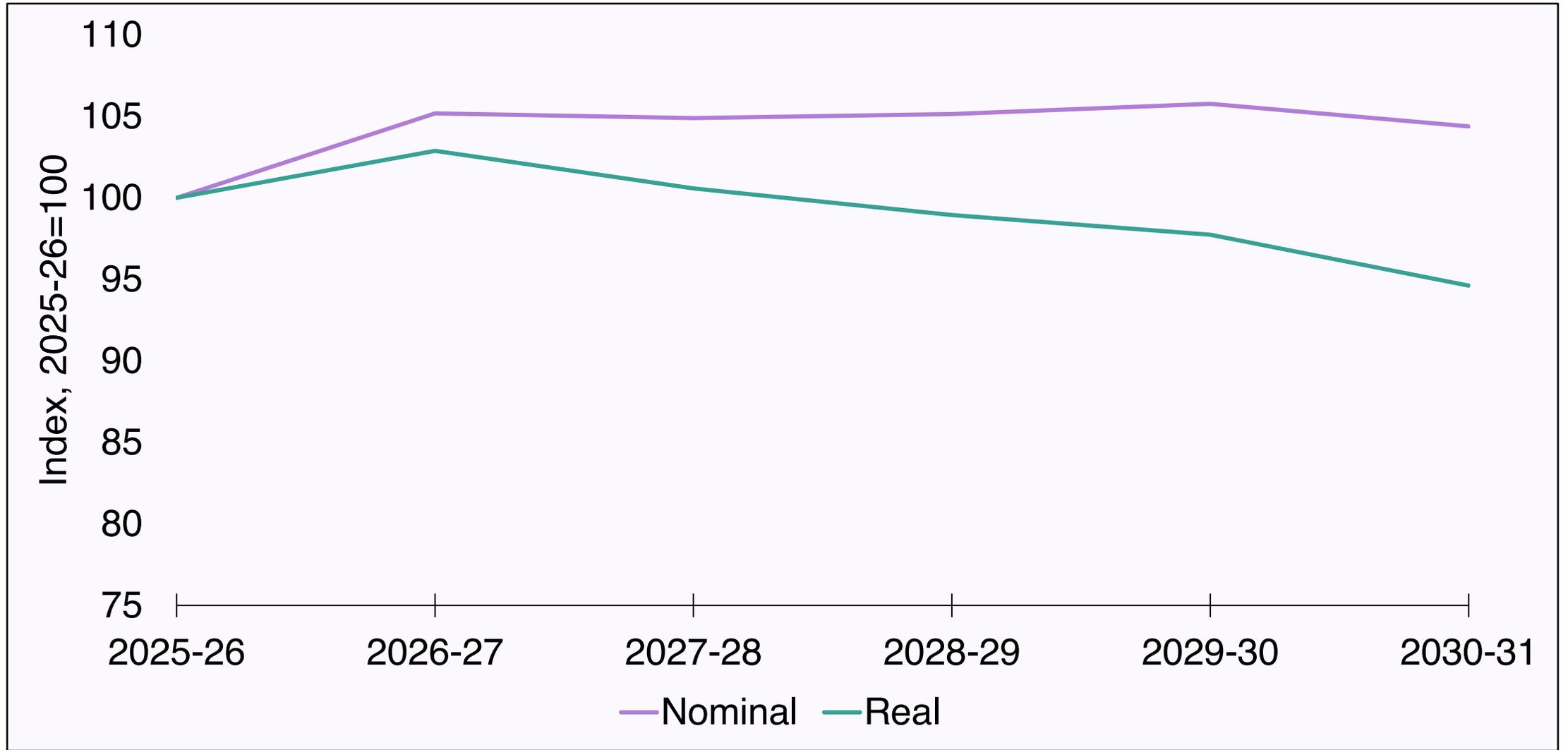


Cross Cutting themes for the next parliament

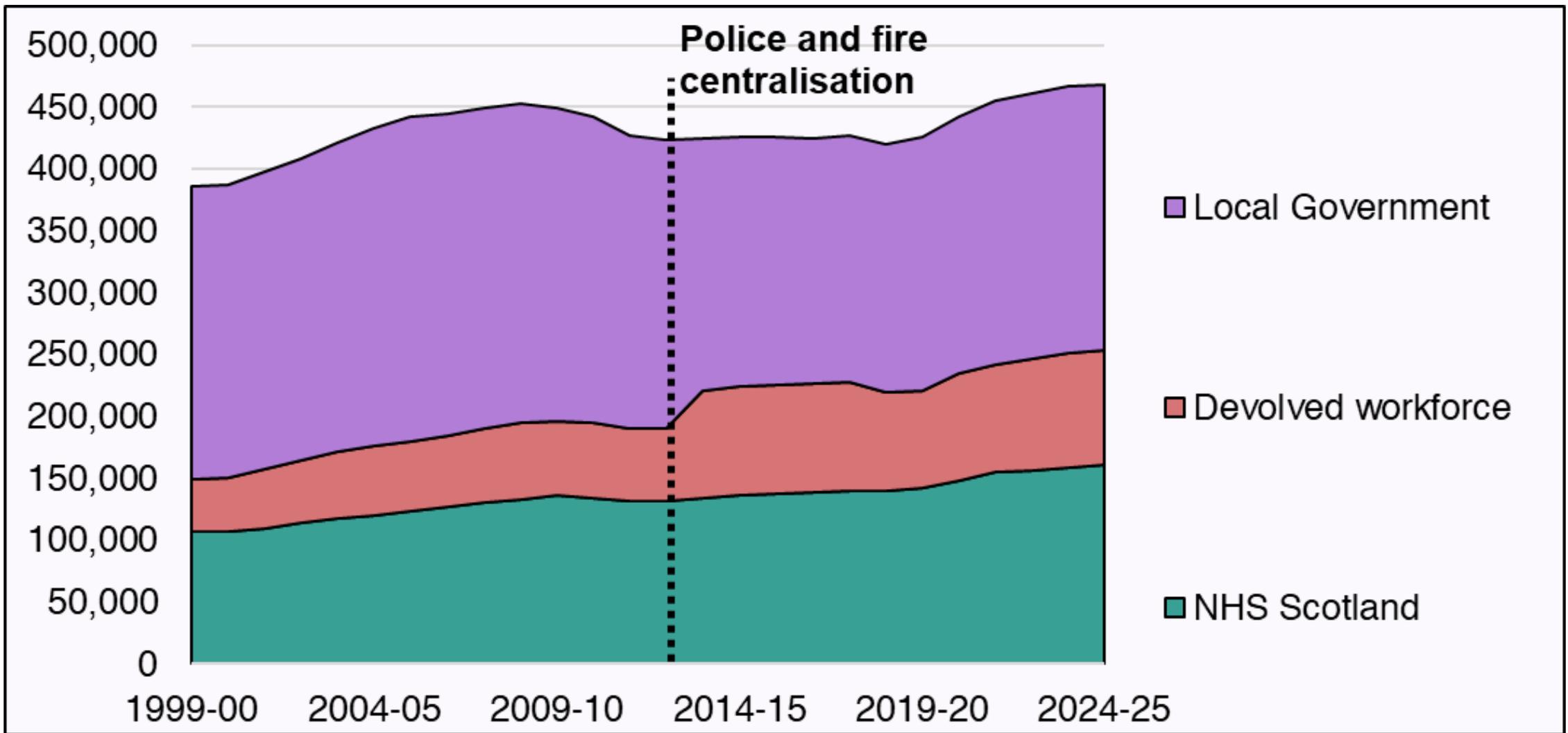
Day-to-day funding outlook



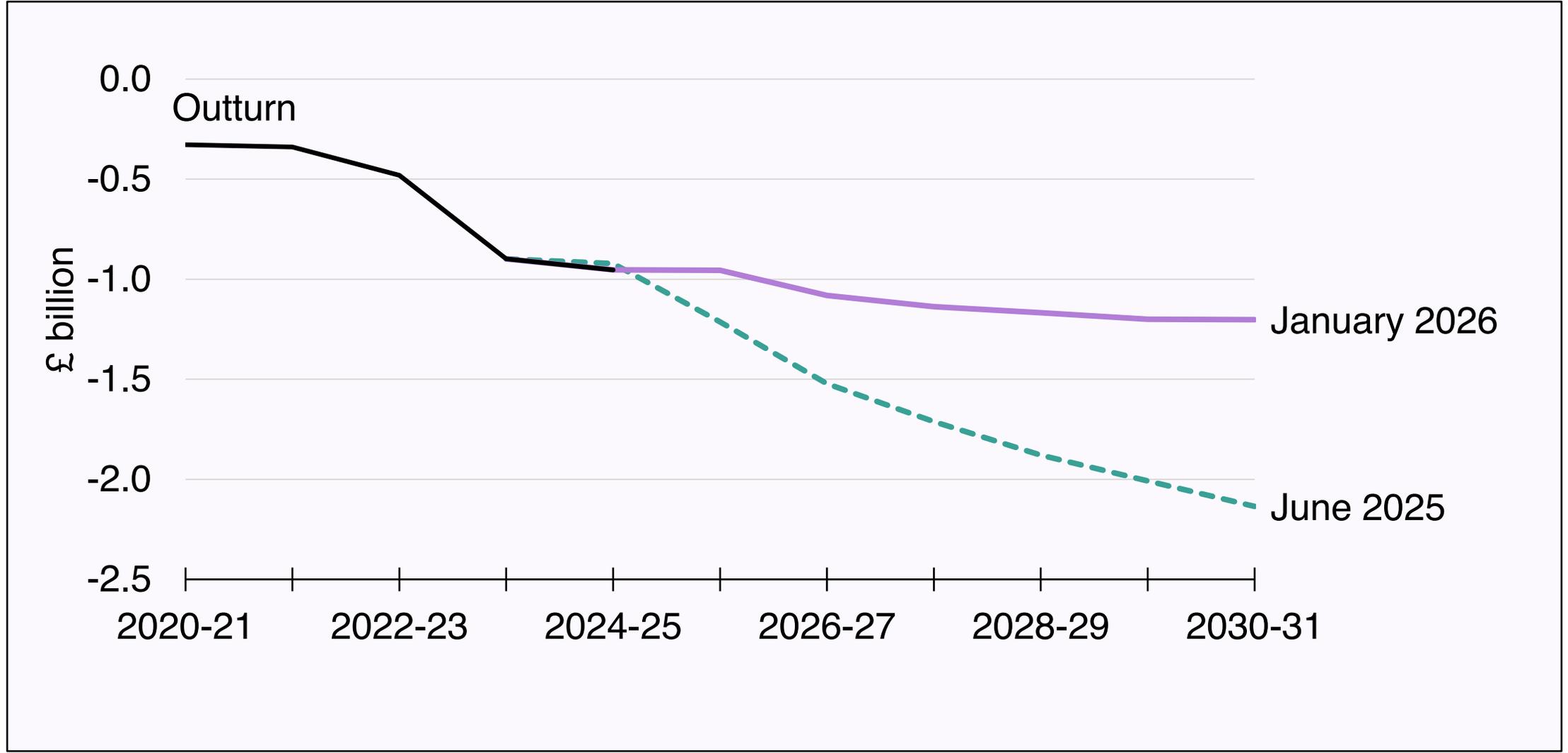
Capital funding outlook



There is a growing devolved public sector workforce



Change in the effect of social security spending on the Scottish Budget

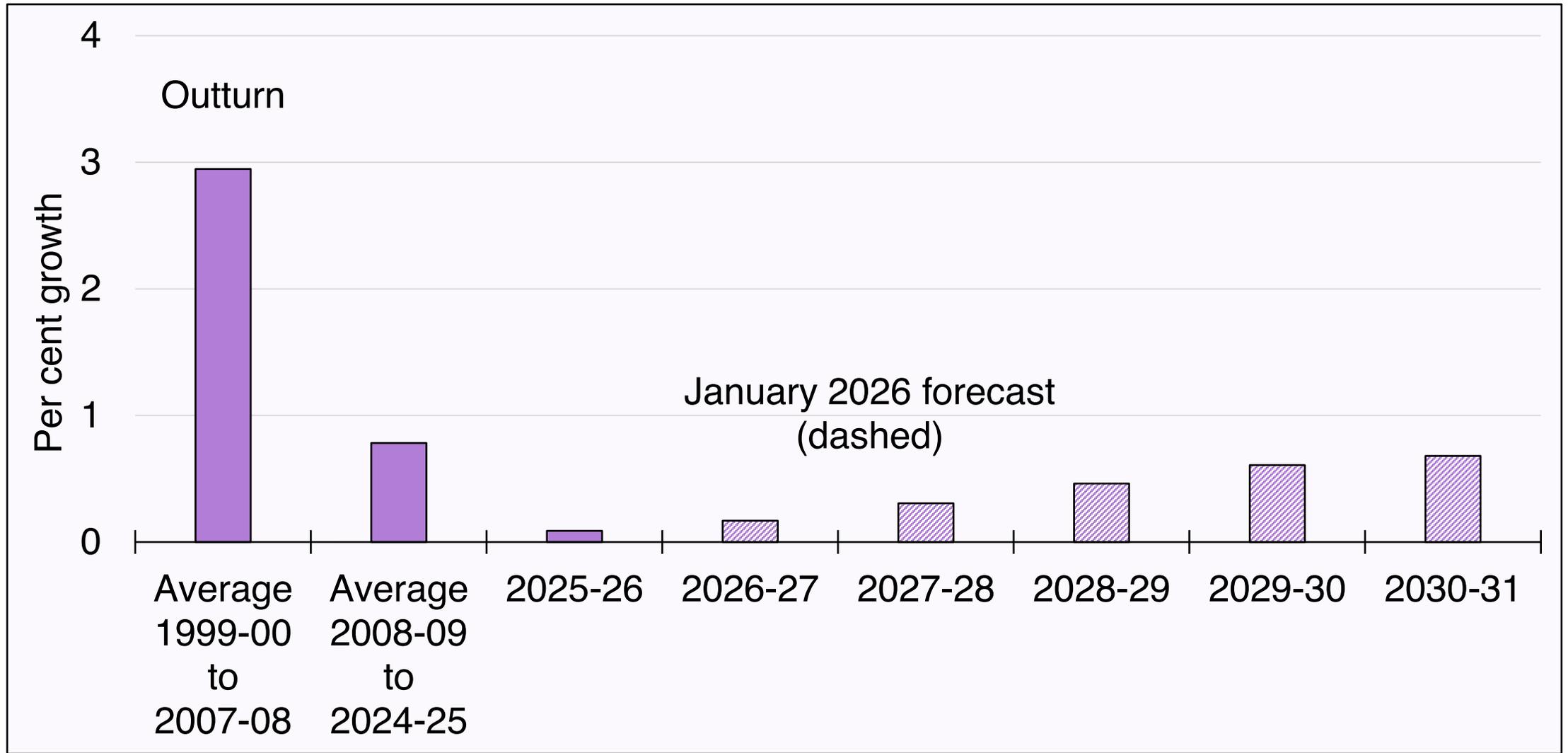


The in-tray for the next Scottish Government

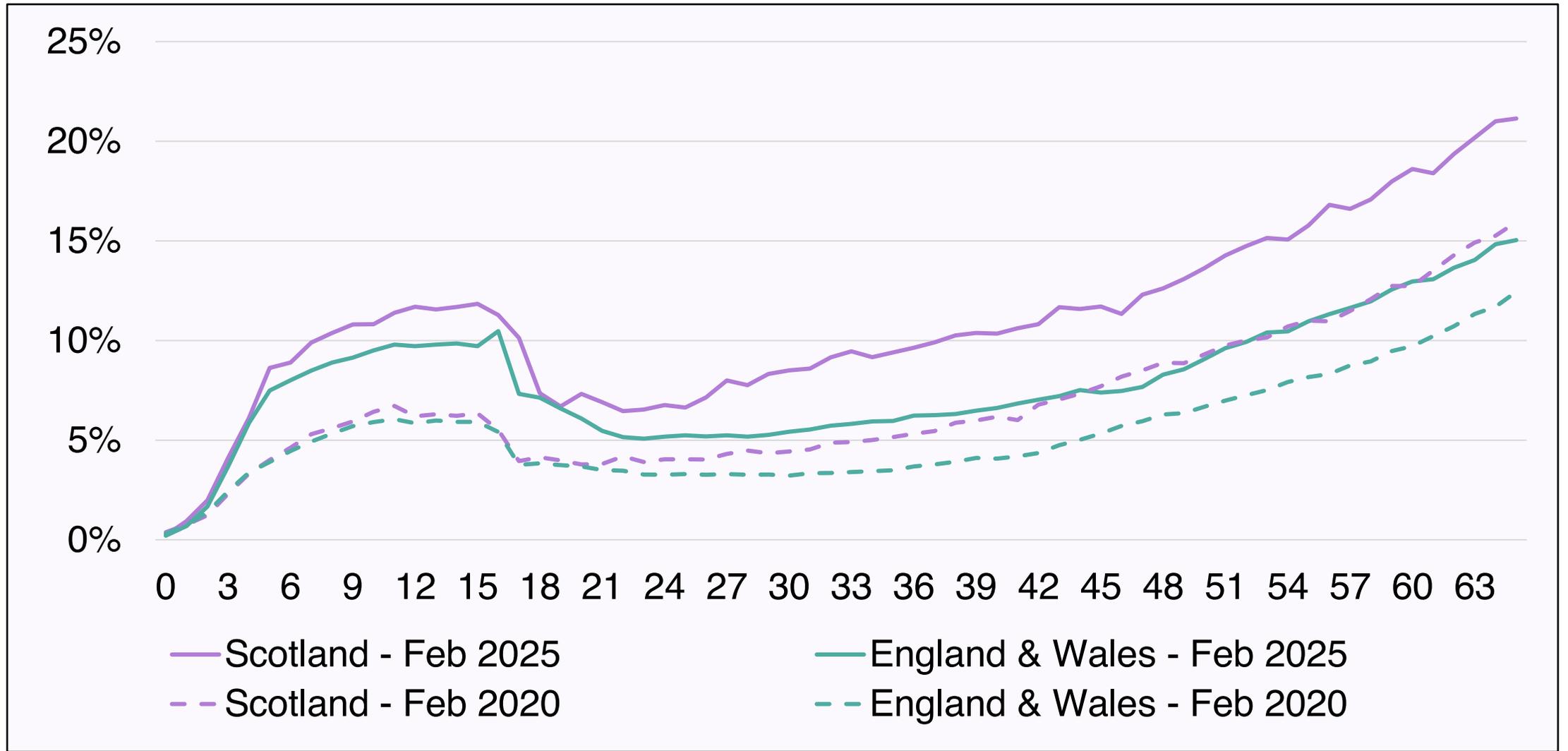
Overview

- Political parties need to be clear about what the Scottish Government can afford and the impact on public spending for people in Scotland.
 - There are several ‘big ticket’ pressures facing the next Scottish Government, including (but not limited to)
 - Living standards
 - Ageing population
 - Disability prevalence
 - Climate change
 - Child poverty
 - Performance of key services including the NHS
 - Housing emergency
-

Living standards to grow by less than 1 per cent each year



Disability prevalence rate is higher in Scotland for all ages



Other 'big ticket' items

- The January 2026 Scottish Spending Review committed to £1.5 billion of savings.
 - Legislative targets to reduce child poverty to less than 10 per cent by 2030 and interim targets have been missed
 - Growing demand on public services
 - Increased social security spending
 - Climate change
 - Housing Emergency
-

A purple right-angled triangle in the top-left corner of the slide.

Concluding remarks

- The next Scottish Parliament is facing a variety of fiscal pressures
 - Political parties need to be realistic and open when making new commitments
 - The next Scottish Government needs to make sure Scotland's finances are on a sustainable trajectory
-