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Clare Haughey MSP
Convener
Health, Social Care and Sport Committee
Scottish Parliament Edinburgh
EH99 1SP

25 February 2026

Dear Convener,

The Scottish Fiscal Commission has this morning published a report [Fiscal Sustainability Perspectives: What Scotland's finances mean for the next parliament](#). Our report concludes the fiscal outlook over the next parliament is likely to be challenging and identifies a wide range of structural and policy pressures the next Scottish Government will need to manage.

Health is the largest area of spending in the Scottish Budget, our previous [Fiscal Sustainability Report](#) found that health would grow faster than any other area in the long-term partly because of population ageing. Scotland's population is ageing and people aged over 65 will make up nearly a quarter of the population by the end of the next parliament. The increasing dependency ratio will add pressure on health and other areas of spending which are most influenced by the age of the population. Scotland represents a relatively large share of the UK's older population, which will exceed the share of the population used to calculate Block Grant funding.

We expect recent rising trends in disability payments to continue, and we forecast that the total number of people receiving disability payments in Scotland will exceed one million by 2030-31. We expect social security's share of the funding available for day-to-day spending to grow from 13.7 per cent in 2026-27 to 15.1 per cent in 2030-31.

The next parliament will follow from over a decade of relatively weak growth in living standards and has an outlook where living standards are expected to grow slowly over the next parliamentary term. This is likely to mean more demand on public services.

A series of broader policy commitments, made during the current parliamentary term, will have budget implications beyond the election. The Scottish Parliament has set legislative targets around child poverty for 2030. Interim targets have not been met. The flagship policy has been the Scottish Child Payment. In January 2026, we forecast that the Scottish Child Payment will cost £522 million by 2030-31. Responding to climate change will impact on the Scottish public

finances in the next parliament and beyond. We estimate that reducing carbon emissions, in line with the Parliament's climate ambitions, 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. Meeting the statutory targets on child poverty and climate change will require spending by the Scottish Government.

We highlight too how immediate policy commitments will have implications beyond May's election. During the current parliament, pay and workforce has affected Scottish public finances and will continue to do so into the next parliamentary term. The devolved public sector paybill is 55 per cent of day-to-day spending. The next Scottish Government will need to manage its pay costs and/or reduce its workforce numbers. Available evidence to date shows only limited progress in workforce reductions or pay restraint.

The next Scottish Government may choose different approaches to taxes and spending to those set out by the current government. However the structural issues and effects of previous policy choices will remain a challenge for the next Scottish Government.

I am happy to discuss any aspect of our report and anything the Commission can do to aid the work of the Committee. We have enjoyed working with the Committee during this session of the Parliament and we look forward to engaging with your successor committee.

Yours sincerely

A handwritten signature in black ink that reads "GDRoy".

Professor Graeme Roy