

Colette Stevenson MSP
Convener
Social Justice and Social Security 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.

Our report discusses how since the 2021 Scottish Parliament election, more people in Scotland have reported having a disability and are receiving disability payments. Within this period, the Scottish Government introduced several disability payments for children and adults, replacing UK Government benefits. As more people qualify for and receive disability payments, spending has risen from £2.9 billion in 2021-22 to £4.8 billion in 2024-25. A higher percentage of people are starting to receive disability payments at younger ages – either as children or young adults.

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 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.

People aged over 65 will make up nearly a quarter of the population by the end of the next parliament. 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.

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.

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 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 "G. Roy".

Professor Graeme Roy

Daniel Johnson MSP
Convener
Economy and Fair Work 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.

The next parliament will follow on from 17 years of relatively weak growth in living standards and has an outlook where living standards are not expected to improve over the next parliamentary term. This is linked to our expectation that GDP growth in Scotland will continue around 1.4 per cent over the next parliament. This is likely to mean more demand on public services. People on lower incomes are more likely to have higher demand for services.

People aged over 65 will make up nearly a quarter of the population by the end of the next parliament. Scotland represents a disproportionately large share of the UK's older population, but a smaller share of the total population used to calculate Block Grant funding which will be a challenge for the next parliament to manage.

We expect recent trends in disability payments will 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 Scottish Government will need to increase its funding, or cut spending to other areas to maintain its social security commitments.

The Scottish Parliament has set legislative targets around reducing child poverty by 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. 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. Meeting the statutory targets on child poverty and climate change will require spending by the Scottish Government.

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 Scottish Government wants to manage its pay costs and 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

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Professor Graeme Roy

