25 August 2026

SCOTTISH FISCAL COMMISSION URGES THE SCOTTISH GOVERNMENT TO BE CLEAR ABOUT PRESSURES ON SPENDING PLANS

The Scottish Fiscal Commission has today highlighted that against a backdrop of economic and fiscal uncertainty, it is vital that the Scottish Government now sets out in detail the pressures on its spending plans, including the scale of savings it has made so far this year.

The global economic outlook has weakened since January. With rising energy prices and food likely to cost more, inflation is likely to be higher than previously forecast. This could further squeeze household incomes and place added pressure on public spending.

Low-income households are likely to continue to be hardest hit, as they spend a greater share of their income on essentials such as food, energy and housing, and have less flexibility to absorb rising costs.

While the economic outlook has deteriorated, the implications for the Scottish Budget remain uncertain. Key decisions by the UK Government, including those in the UK Budget on 28 October, will play a significant role in determining the Scottish Government's future funding position.

Although additional UK Government funding has improved the Scottish Government's position for 2026-27, the outlook for 2027-28 remains considerably more challenging. Current funding forecasts suggest day-to-day spending could fall after taking account of inflation. The capital budget was already forecast to fall after taking account of inflation, and efforts by the UK Government to prioritise its Defence Investment Plan are expected to further reduce capital funding.

The Scottish Spending Review in January had tight settlements for all parts of the public sector, and this was underpinned by commitments to efficiency savings. The spending plans for 2026-27 relied on delivering £563 million of planned savings, including significant savings from NHS boards. Failure to achieve these savings would present difficulties this year and increase pressure on future budgets.

With the size of the public sector workforce rising over the past year, there does not appear to be progress so far towards the Government's planned reductions in the workforce. Higher inflation may also increase pressure for larger public sector pay awards than currently planned for.

The Commission's Chair, Professor Graeme Roy, said

“Although funding has increased for 2026-27, the Scottish Government continues to face significant challenges in balancing future budgets.

The delivery of planned savings, managing workforce costs, and the impact of the upcoming UK Budget will all be important factors in determining the funding available for public services in Scotland.

“Transparency on the delivery of planned efficiencies and the scale of emerging pressures will help Parliament and the public understand the choices that lie ahead.

“At the start of the new Parliamentary term, the Scottish Government has an opportunity to provide a clear update on progress towards its planned efficiency savings and to identify any new or emerging pressures affecting the 2026–27 and 2027–28 Budgets.”

ENDS