

19 January 2026

Our Fiscal Challenge

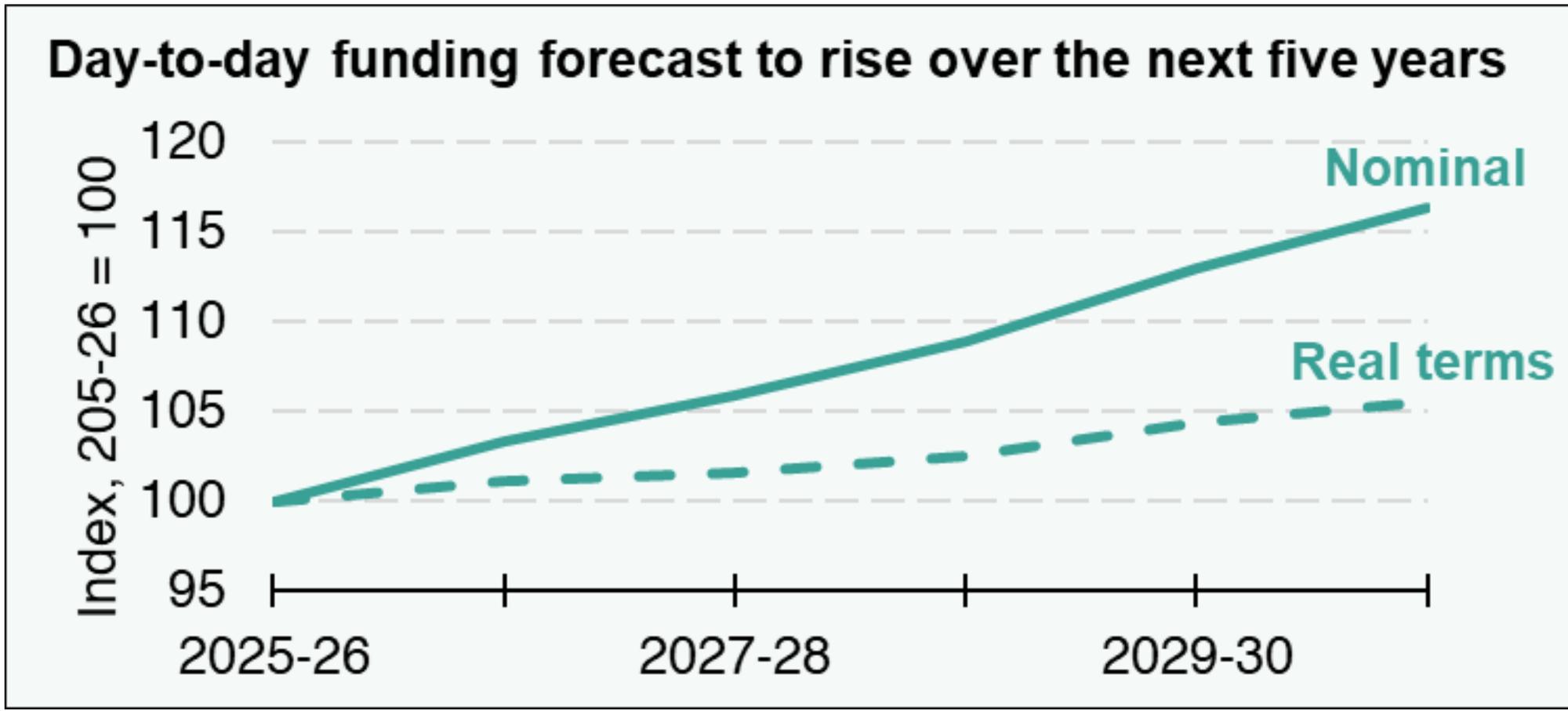
January 2026

Graeme Roy

Chair, Scottish Fiscal Commission

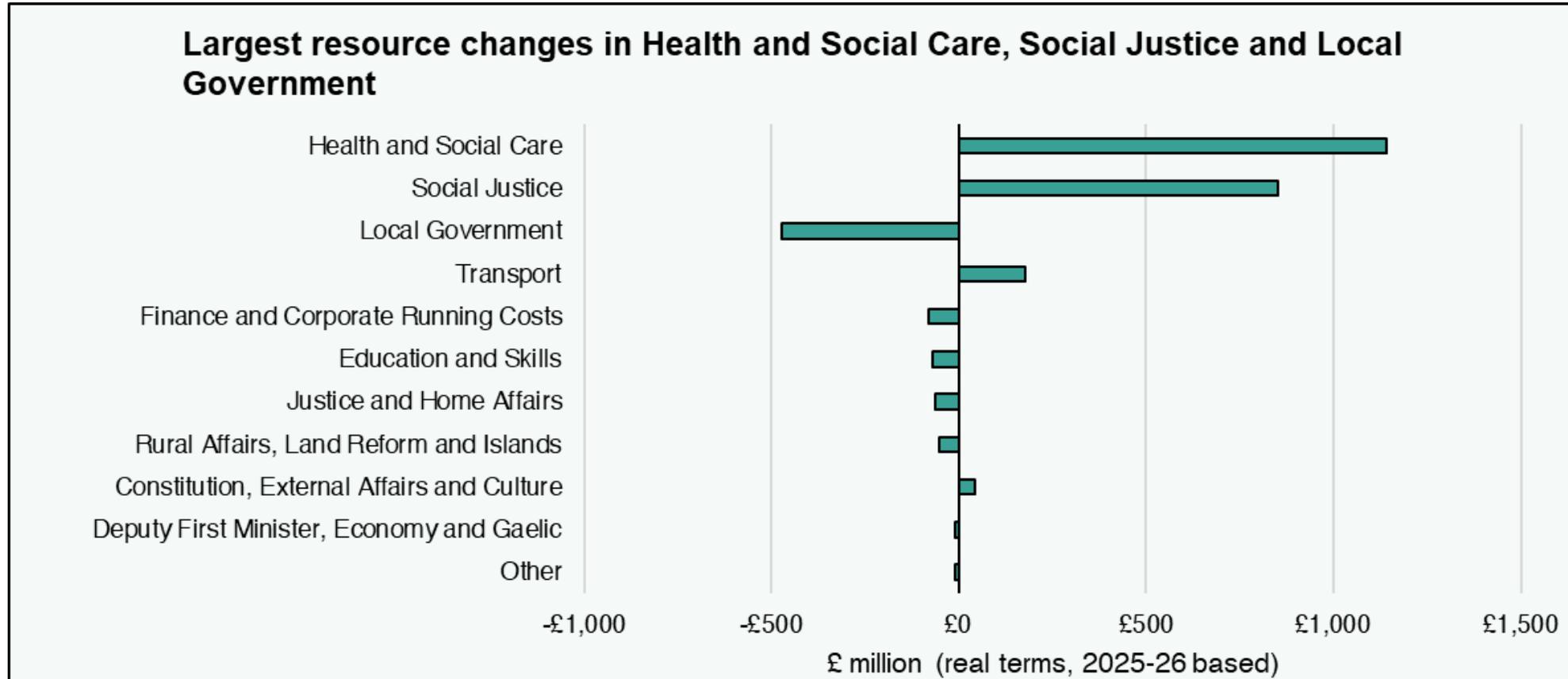


Scottish Government funding outlook



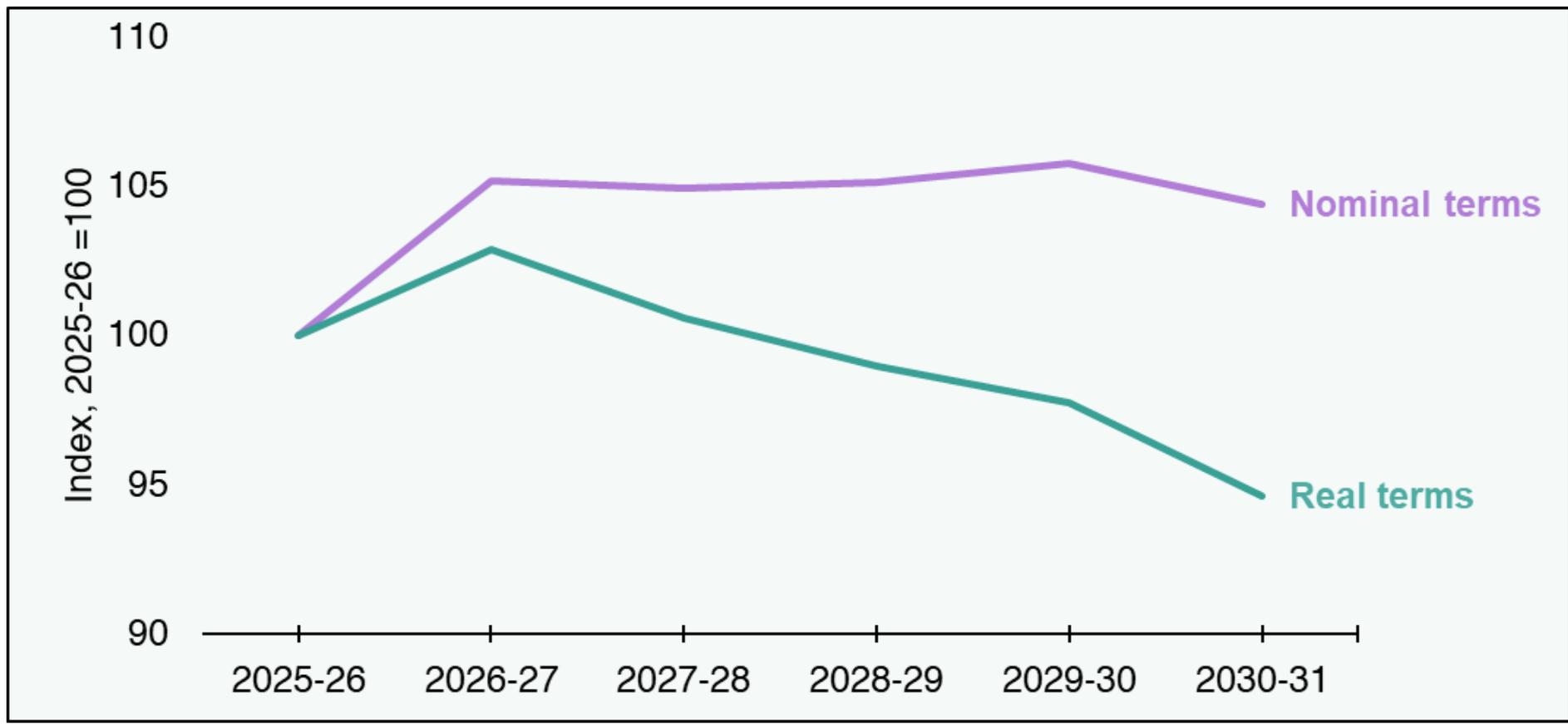
Resource spending review

Changes in day-to-day spending between 2025-26 and 2028-29 by portfolio



Capital spending review

Capital funding grows in 2026-27 but remains flat and falls in real terms

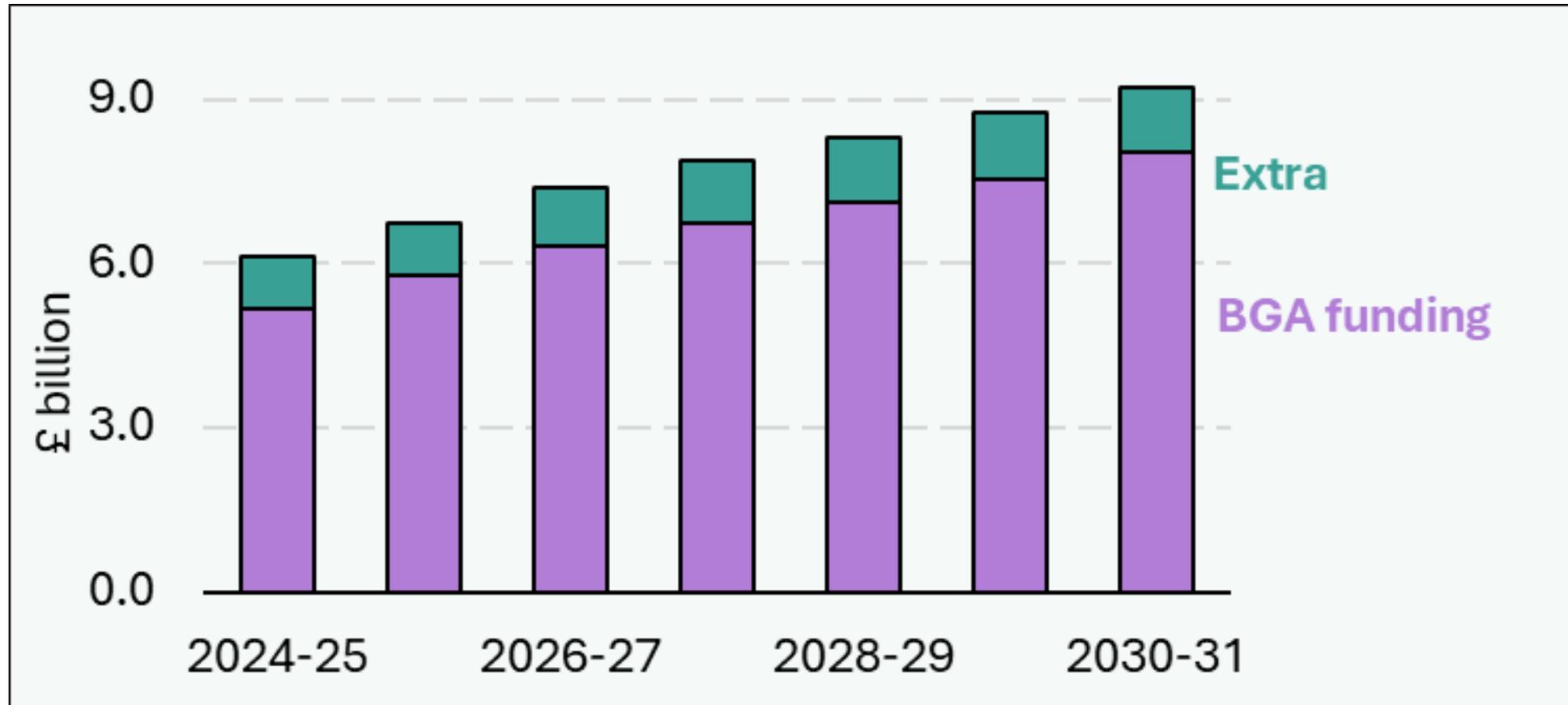


Pressures and (hidden) challenges

- Underpinning these projections are ambitious efficiency savings
 - £1.5 bn of savings over next three years. Over £1.0 bn in Health
 - Cuts to public sector workforce – over 13,000 by 2029/30
 - Growing commitments in social security
 - Pay awards already ahead of pay policy (2025/26 to 2027/28) – implying real terms cuts to salaries in Year 3 of pay deal. Likely?
 - Can all this be delivered without impacting upon frontline services?
-

Social security spending

Social security spending exceeds BGA funding in all years

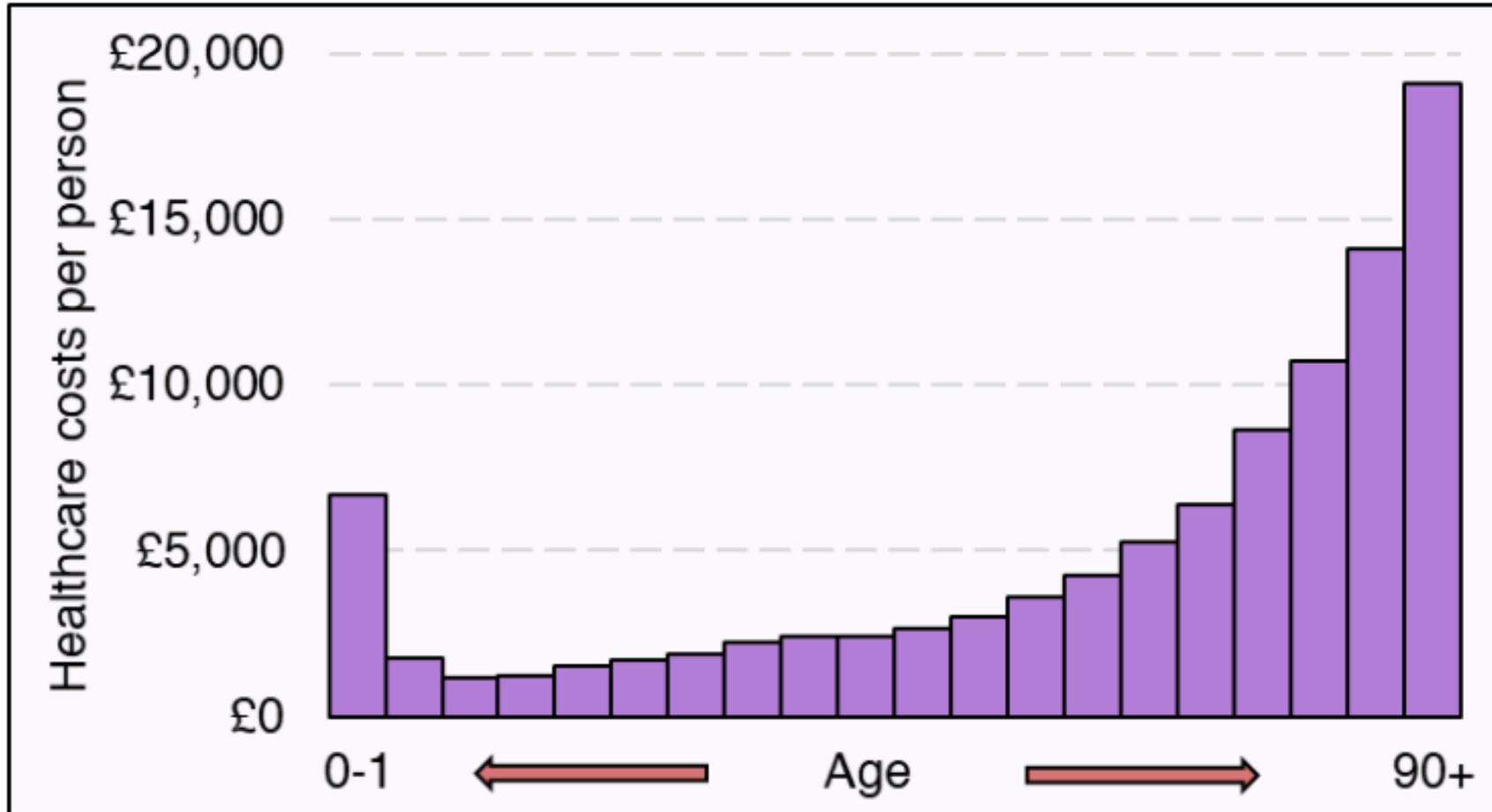


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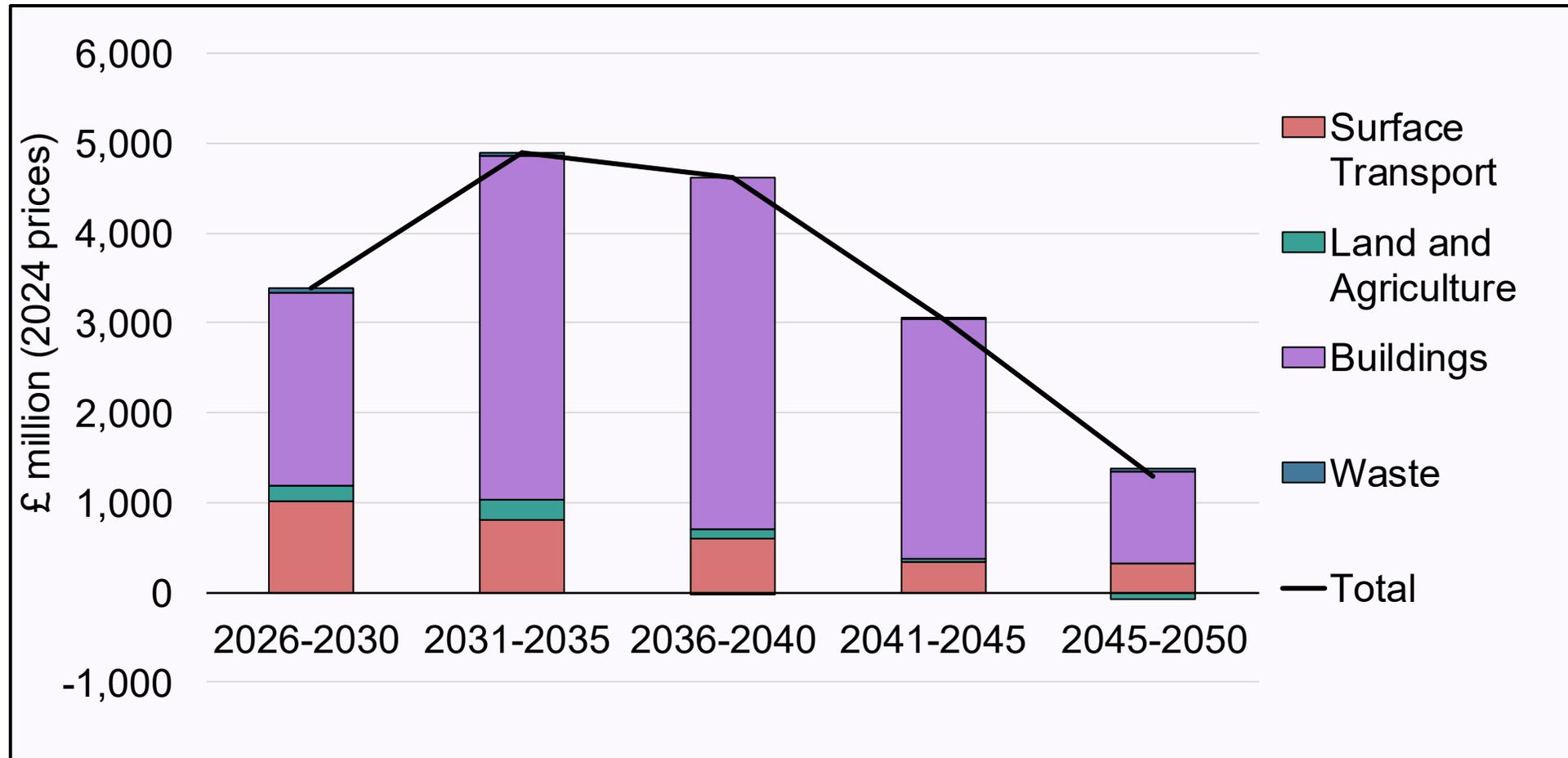
Long-term challenge: demographics

Health spending is higher for older age groups



Long-term challenge: climate change

Devolved additional public investment



Fiscal challenge is all-party/Scotland issue

- Important that all political parties and wider stakeholders engage in these debates
- Spending Review has set the trajectory of funding, but addressing these challenges will be the responsibility of the next Scottish Government and Scottish Parliament elected in May 2026

Thank you for listening

Slides available on our website

www.FiscalCommission.scot

Please email us with any further questions

press@FiscalCommission.scot