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Convener
Social Justice and Social Security Committee
The Scottish Parliament
Edinburgh
EH99 1SP

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Dear Convener,

I welcome this opportunity to support the Social Justice and Social Security Committee's pre-budget scrutiny on social security spending in Scotland. In this letter I highlight relevant information from our publications and recent developments which could have an effect on social security spending and funding.

Social Security Forecasts – June 2025

In June 2025 we published our latest 5-year forecasts for social security spending. We forecast spending on devolved social security to increase from £6.9 billion in 2025-26 to £9.5 billion in 2030-31.¹ Spending increases over time because of annual uprating of payment rates in line with inflation and from rising numbers of people receiving disability and carer's payments.

The Scottish Government receives funding for social security from the UK Government through Block Grant Adjustment (BGA) funding. The amount of BGA funding is broadly based on forecast and outturn spending in England and Wales on equivalent payments. When the UK Government introduces a policy in England and Wales for a payment with an associated BGA, and that policy leads to a change in the level of spending, then there is a proportional effect on the level of BGA funding the Scottish Government receives.

Social security spending above the BGA funding can be considered as the effect of social security devolution and policy changes on the Scottish Budget. In our June publication we estimated this would increase from £1.2 billion in 2025-26 to £2.0 billion in 2029-30. This reflects the policy and operational choices made by the Scottish Government in delivering devolved social security. The extra spending represents Scottish Government priorities, but the growth in spending reduces the amount it can spend on other areas. This was illustrated by the spending analysis we published in December 2024.² This showed that between 2022-23 and

¹ Scottish Fiscal Commission (2025) [Scotland's Economic and Fiscal Forecasts Update – June 2025](#)

² Scottish Fiscal Commission (2024) [Scotland's Economic and Fiscal Forecasts – December 2024](#), Figure 2.10



2025-26 overall resource spending increased by 8 per cent in real terms, while spending on social protection, which includes social security, increased by 36 per cent.

In 2029-30 around £0.9 billion of the difference between overall social security spending and BGA funding is the result of payments introduced by the Scottish Government which are unique to Scotland. These include Scottish Child Payment, Two Child Limit Payment, mitigation of the bedroom tax through Discretionary Housing Payments, and Carer's Allowance Supplement. The remainder of the difference is from devolved payments, such as Adult Disability Payment, costing more than the UK Government payments they have replaced, and from other areas of social security spending, such as employability support and the Scottish Welfare Fund.

UK Government Welfare Changes

Our June 2025 projections of social security spending above BGA funding incorporated the effect of the UK Government welfare changes from the Spring Statement 2025. These were expected to reduce overall social security BGA funding by around £0.4 billion by 2029-30 relative to our December 2024 forecasts. We provided information on the changes in Box 5.1 of our May 2025 report.³

The UK Government position on the package of measures on Universal Credit (UC) and Personal Independence Payment (PIP) has significantly changed since we published our last forecasts in June. Changes to the PIP eligibility criteria will now only be introduced after a review of the PIP assessment process, expected to be completed by autumn 2026. The bill passed by the UK Parliament on 9 July 2025 removed PIP measures and only included the UC measures.

Therefore, the savings the OBR had forecast in March 2025 will be reduced, as will the fall in the associated BGA funding. We expect the OBR to produce a costing of the updated policy alongside the next UK Budget, sometime this autumn, and this will be used to update the BGA funding forecasts.

This is an example of how the fiscal framework leads to UK Government policy changes in devolved areas affecting the Scottish Budget. As the UK Government addresses its own fiscal sustainability challenges in the coming decades, this will have implications for the Scottish Budget. Our work on fiscal sustainability has demonstrated how fiscal sustainability challenges that are common to both Scotland and the rest of the UK eventually feed through to the Scottish Government's finances.⁴

³ Scottish Fiscal Commission (2025) [Scotland's Economic and Fiscal Forecasts - May 2025](#)

⁴ Scottish Fiscal Commission (2025) [Fiscal Sustainability Report – April 2025](#)

Adult Disability Payment Independent Review

The Independent Review of Adult Disability Payment (ADP) produced its final report on 31 July 2025. It makes 58 recommendations, aimed at improving the client experience and ensuring disabled people are able to access the support available to them.

The Scottish Government intends to publish its response to the review in early 2026 and has said that the recommendations will be assessed against criteria including deliverability and cost. Should the Government decide to implement changes to ADP in response to the review, we will prepare a set of costings to assess the financial impact of those changes.

On 26 August we will be publishing our Forecast Evaluation Report and Fiscal Update. I would be happy to answer any questions you have on the information I've provided in this letter or the reports we are publishing later in August.

Yours sincerely

Professor Graeme Roy