

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee

The Scottish Parliament
Edinburgh
EH99 1SP

25 June 2025

Dear Convener,

Today the Scottish Fiscal Commission has published [Scotland's Economic and Fiscal Forecasts Update – June 2025](#) alongside the Scottish Government's Medium-Term Financial Strategy (MTFS). The report reflects changes since the Commission published its forecasts on 29 May including the UK Government's Spending Review and new Scottish Government tax and social security policies.

In our report we show that total funding in 2026-27 will be £61.3 billion rising to £66.5 billion by 2029-30. The funding available for day-to-day spending next year is £54.0 billion, or £46.3 billion after social security spending is deducted. In 2029-30, £59.1 billion is expected to be available for day-to-day spending and £50.1 billion after social security spending.

The Scottish Government now has the information it needs to complete its spending review, which as you know it intends to publish later in the year alongside the 2026-27 Scottish Budget. With the Government also estimating that day-to-day spending will be likely to exceed the funding available by up to £2.6 billion in 2029-30, the Cabinet Secretary has set out her broad plans to control spending, including reductions in public sector employment. The Spending Review will be an important step in providing more details on how the Government will deliver on these ambitions.

Our report also includes new forecasts following the announcement today, 25 June 2025, that the rate of Scottish Aggregates Tax will align with that of the UK Aggregates Levy and an update for the recent announcement that the Two Child Limit payment will launch in March 2026 rather than April as we had assumed in our May forecasts. Our report does not include a formal forecast for the changes in Pension Age Winter Heating Payment that were announced on 18 June. The Scottish Government informed us of these changes on 16 June once it had information on funding and policy arrangements from the UK Government, which was too late for us to produce a full costing.

However, we have included an illustrative estimate of the costs to demonstrate the potential effects on the Budget. The Scottish Government has included an equivalent estimate in its MTFS spending projections. We will publish a formal costing in due course.

I am happy to discuss any aspect of our forecasts and anything the Commission can do to aid the work of the Committee.

Yours sincerely

Professor Graeme Roy