SPICe The Information Centre
An t-Ionad Fiosrachaidh

Social Justice and Social Security Committee
Thursday 29 January 2026
4th Meeting, 2026 (Session 6)

Scottish Fiscal Commission Forecasts

The Committee will hear from:

- Professor Graeme Roy, Chair of the Commission
- Justine Riccomini, Commissioner
- Michael Davidson, Head of Social Security and Devolved Taxes

Background

The Scottish Fiscal Commission forecast devolved social security spend twice a year, normally in May and December. Their figures are used to set the Scottish Government's budget for social security assistance. Because social security is demand led, the Scottish Government needs to ensure it has sufficient budget to cover forecast spend. SFC do not forecast administrative costs of running Social Security Scotland.

The Scottish Government receives funding through social security Block Grant Adjustments. These are based on forecasts made by the Office for Budget Responsibility. They are not 'ring-fenced', so are part of the overall resource available to the Scottish Government to fund its budget.

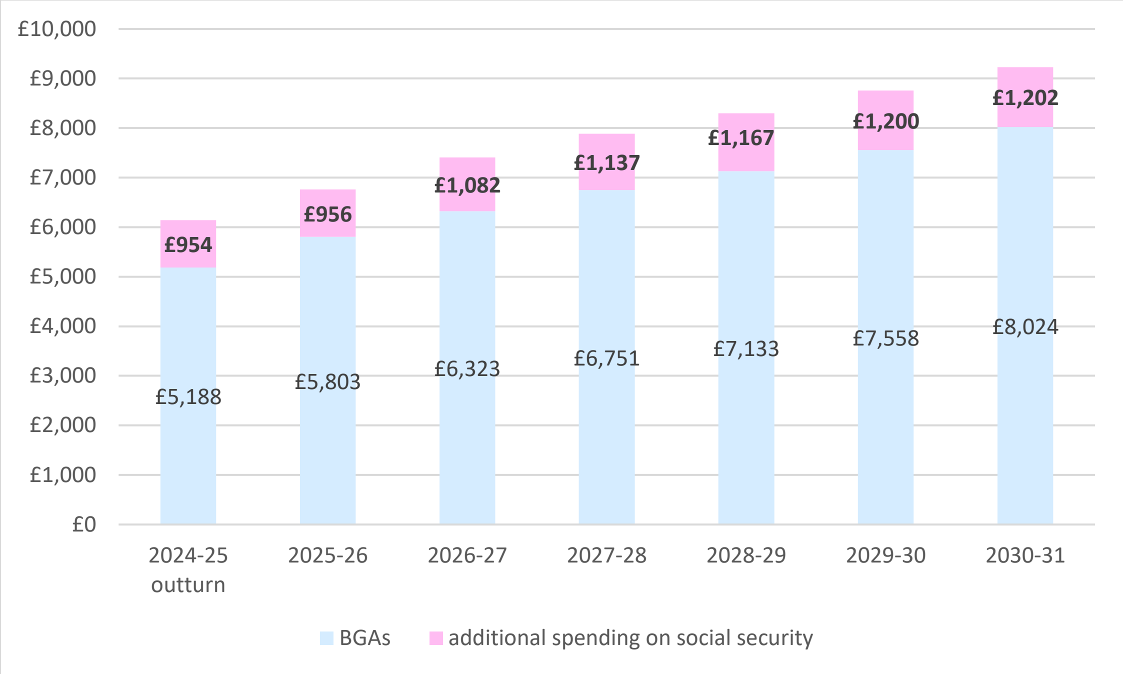
Social Security benefit spending forecasts

The social justice portfolio budget, which is almost entirely social security, is forecast to increase from 14.3% of total Scottish Government resource spending in 2025-26 to 15.5% in 2028-29 (SFC fig 5). This is based on figures set out in the spending review.

Chart 1 below shows how:

- Spending on devolved social security benefits is forecast to increase by 50% between 2024-25 and 2030-31 from £6.1 billion £9.2 billion (SFC fig 5.1)
- Funding provided by the UK Government through Block Grant Adjustments (BGA) is forecast to increase 55% from £5.2 billion in 2024-25 to £8.0 billion in 2030-31.
- The difference to be funded from resources outwith the BGA increases 26% from £1.0 billion in 2024-25 to £1.2 billion in 2030 (SFC Fig 5.4).

Chart 1: Social security spending and funding, 2024-25 to 2030-31.



Source: SFC January forecasts fig 5.4, 5.1. Includes employability.

The table and chart below groups benefits together showing the growth in spend by different type of benefit.

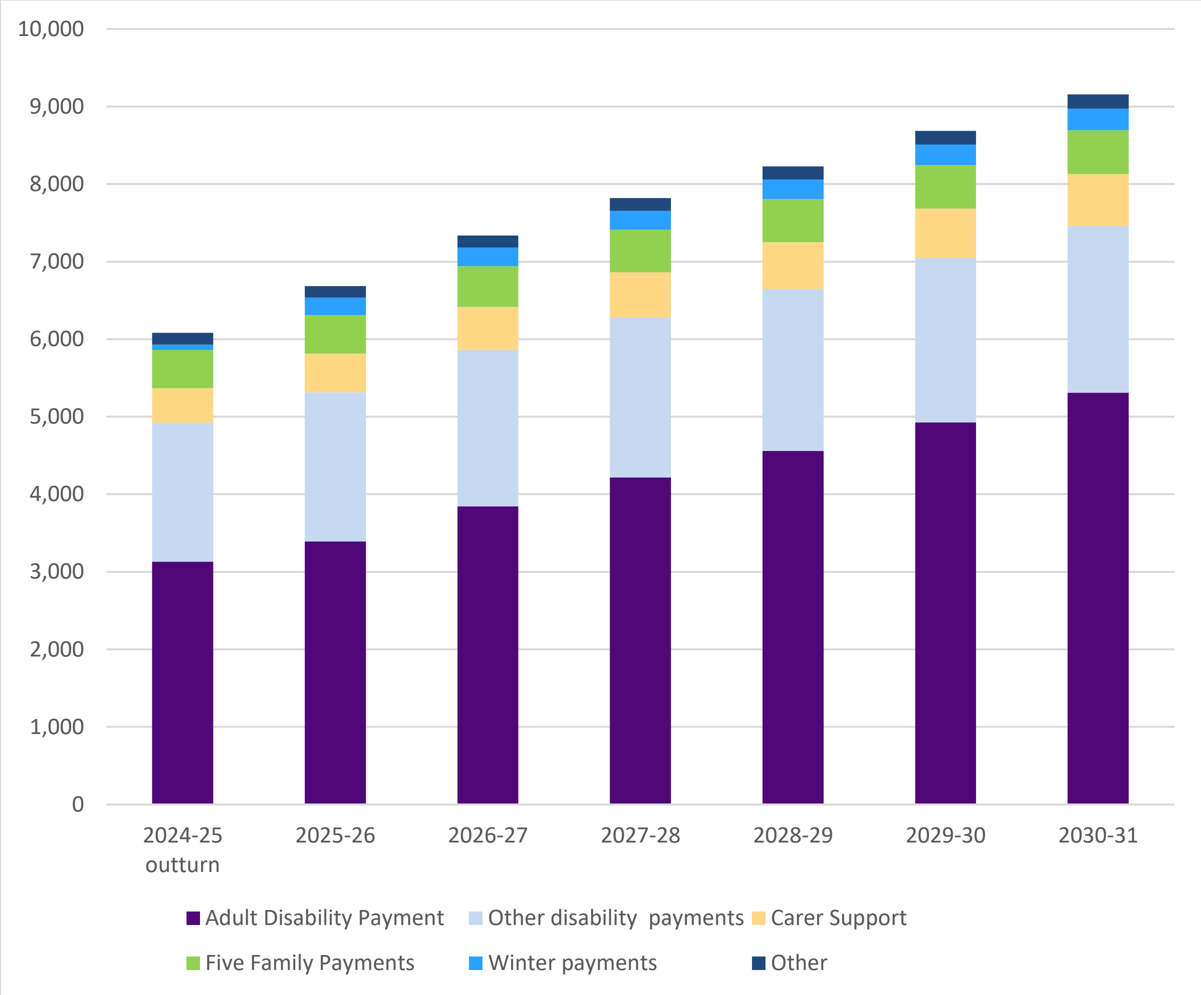
Most spending is on Adult Disability Payment, which is forecast to increase by 70% between 2024-25 and 2030-31 from £3.1 billion to £5.3 billion. This payment alone makes up over half of benefit spending. Other disability benefits make up around a further quarter of spending. This shows how the increase in overall spending is driven by Adult Disability Payment. The low spend on Winter Payments in 2024-25 reflects the one year policy of restricting eligibility for Pension Age Winter Heating Payment to those receiving means tested benefits.

Table 1: Growth in benefit spending, 2024-25 to 2030-31.

£ million	2024-25 outturn	2030-31	% change
Adult Disability Payment	3,131	5,308	70%
Other disability payments	1,793	2,152	20%
Carer Support	445	670	51%
Five Family Payments	492	566	15%
Winter payments	69	275	299%
Other	151	186	23%

Other disability is: Employment Injury Assistance, Pension Age Disability Payment, Child Disability Payment Other is: DHP, SWF, Funeral Support Payment. Does not include employability.

Chart 2: Growth in benefit spending, 2024-25 to 2030-31, £m



Source: SFC January 2026 forecasts, fig 5.7. Does not include employability.

Suggested themes for discussion

Funding related to social security

The gap between social security funding and spending is now expected to grow far more slowly than was forecast in May and June. Chart 3 and table 2 below shows how the forecast gap has changed.

The difference between total devolved social security spend and the funding received in block grant adjustment (BGA) is now forecast to increase from £1.1 billion in 2026-27 to £1.2 billion in 2030.

This is in contrast to the forecast in June, which showed that gap widening from £1.5 billion in 2026-27 to £2.1 billion in 2030.

The Scottish Fiscal Commission explain that key factors in this change are:

- Increased funding related to disability benefits, including due to PIP reforms not going ahead
- Changes to policy on Winter Fuel Payment which increased funding to the Scottish Government
- Decreased spending by the Scottish Government on social security as they did not need to mitigate the two-child limit.

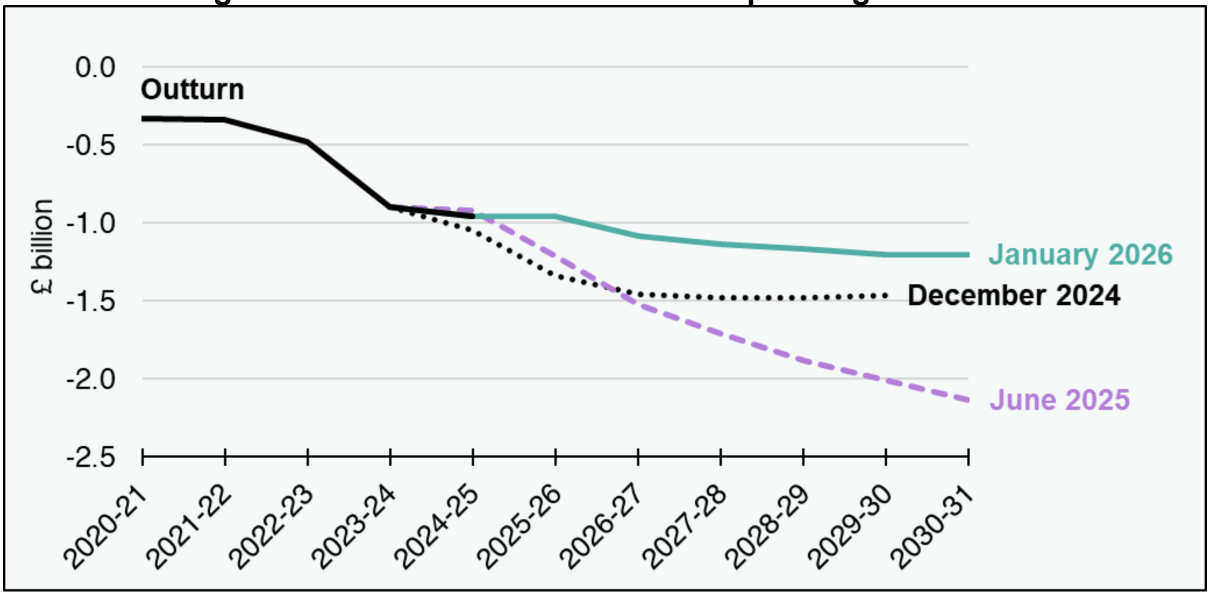
These factors combined to narrow the gap between funding and spending. The SFC comment that:

> "we expect variations in the funding and spending as policies implemented by either the Scottish or UK Government can have an effect, alongside changes in trends or forecasting assumptions." (SFC para 5.28)

The change in forecasts means that the Scottish Government need to find less money from other budgets than they previously expected. The SFC comment that:

> "The effect of this reduces the pressure on the Scottish Budget from social security spending and increases funding available for other spending. Despite these revisions, we still forecast spending on devolved social security to exceed BGA funding by £1.2 billion in 2029-30." (SFC, para 5.39)

Chart 3: Change in forecast difference between spending and BGA



Source: SFC forecasts January 2026, figure 5.5

Table 2: Change in forecast difference between spending and BGA

£ million	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
December 2024	-1,334	-1,453	-1,475	-1,476	-1,463	blank
June 2025	-1,213	-1,522	-1,712	-1,879	-2,008	-2,135
January 2026	-956	-1,082	-1,137	-1,167	-1,200	-1,202

Source: SFC forecasts January 2026, figure 5.5

The current trajectory is very different from previous forecasts. In June the gap between BGA and spending was forecast to increase rapidly over the next five years. In contrast, January's forecast shows a gap that changes relatively little.

PIP and ADP

As ADP makes up around half of social security spending, the difference between the Block Grant Adjustment for PIP and spending on ADP is particularly important.

In September, Audit Scotland's report on ADP commented on the then projected 'funding gap' of £770 million in 2029-30, stating that:

> "The Scottish Government has not yet set out a detailed strategy for how it will manage the forecast gap between social security funding and spending within its overall budget. Furthermore, the Scottish Government does not have a clear strategy in place to manage risks arising from any UK decisions on benefit spending that could reduce the size of the Scottish budget." (Audit Scotland para 4)

That funding gap is now forecast to be £287million.

While the latest forecast suggest that managing the funding gap might be less urgent than previously thought, the position could change again. The SFC highlight the following risks:

- The Independent Review of ADP. "If this leads to the Scottish Government making changes to ADP policy it could lead to changes in spending which are not reflected in this report." (SFC. Para 5.41).
- The review of PIP by Stephen Timms, due to report in autumn 2026. "If the review leads to policy changes which affect spending on PIP in England and Wales, there would be knock-on effect on the social security BGA funding the Scottish Government receives." (SFC. Para 5.41).

If both these occur, then the gap between PIP BGA and ADP spend could start to widen again.

Chart 4 and table 3 below show how forecasts have changed since December 2022 for the gap between ADP spending and the block grant adjustment for PIP. The latest forecast is shown as a solid line.

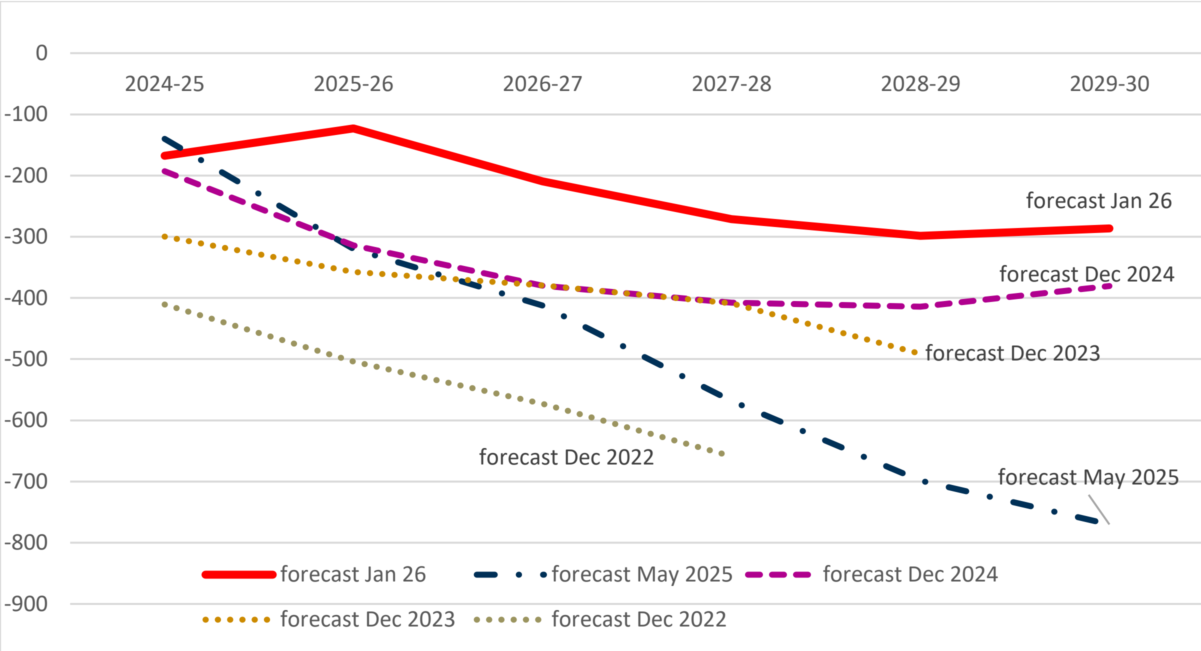
The forecasts are consistent in showing that more will be spent on ADP than is received in PIP BGA. However, the scale of this difference varies considerably between forecasts. In general, later forecasts have tended to show the gap widening more slowly than earlier forecasts. The big exception was the May 2025 forecast, which showed a rapidly widening gap reaching £770m by 2029-30. This was largely due to proposed UK policy change to PIP which would have reduced the PIP BGA. With those plans shelved, that gap is now forecast to be £287m in 2029-30.

Outturn in 2024-25 showed a gap of £168m. The PIP BGA was £168m less than was paid out that year in ADP.

The most recent forecast is that this difference will *decrease* to £123m in 2025-26 before stabilising at around £270 to £290m from 2028-29 onwards.

This difference between the May 2025 and January 2026 forecasts illustrates the large difference that policy change can make, and the challenges of planning for unknown future policy changes.

Chart 4: Changing forecasts of the gap between PIP BGA and ADP spending



Source: SFC forecasts for relevant years. 2024-25 in the January 2026 forecast is outturn.

Table 3: Changing forecasts of the gap between PIP BGA and ADP spending,

Forecast, £m	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
January 2026	**-168**	-123	-209	-271	-299	-287	-290
May 2025	-140	-320	-412	-568	-698	-770	
December 2024	-193	-314	-380	-408	-414	-381	
December 2023	-300	-358	-379	-409	-491		
December 2022	- 411	- 504	- 573	- 659			

Members may wish to discuss:

1. **Can witnesses expand on the reasons why the difference between total spending and the social security block grant adjustment has narrowed since the last forecast? What do these latest forecasts mean for debates about the sustainability of social security spending?**

2. **In 2025-26 the difference between ADP spend and PIP BGA is expected to narrow from £168m to £123m. Can you explain why this is the case?**

3. **What are your observations about the extent to which the social security net position changes between forecasts? What do these changing forecasts mean for the level of risk that social security spending poses for the Scottish budget as a whole?**

4. **What are the key areas of uncertainty in the current forecast of the difference between BGA funding and social security spending?**

Changes in disability caseload forecast

The previous theme looked at spending forecasts compared to funding. This theme looks in more detail at caseload forecasts for disability benefits. These are related – as more people getting disability benefits will mean higher spending. The SFC state:

> "We still think there is a risk to the Scottish Budget from social security spending but the current scale of the risk is lower now than in previous forecasts. Key remaining uncertainties include authorisation rates and award review outcomes for disability payments' (SFC para 5.42)

The forecast caseload for ADP is still growing but it is growing slightly more slowly than previously forecast. This relates to:

- Lower authorisation rates. Around 35% of ADP applications are authorised compared to 45% of PIP applications. (SFC para 5.7)

- More awards being ended or reduced at review than previously forecast. 5% of awards are ended or reduced at review compared to previous forecast of 2%. For new ADP clients, 5% of awards were ended at review in 2025-26. (ADP statistics to end October 2026, Table 28) This is still considerably lower than the 13% of awards ended at PIP reviews.

Authorisation rates

The SFC report states that the reason for lower authorisation rates is not fully understood. When asked about this at Committee on 22 January, David Wallace said.

> "I would be wary of speculating […] My understanding is we're more or less pegging in line with the approval rates for PIP at the moment. One thing I would absolutely say, what it is not, is about the organisation linking any sort of ratios or rationing to the people who are making these decisions. We take an application, we apply the legislation and then we make a decision based on that individual client." (SJSS Committee, 22 January, 9.59am).

Reviews

The Fiscal Sustainability Delivery Plan published in June 2025. In the context of discussing: “key reform programmes and actions underway across the Scottish Government that we expect to have a positive impact on the public finances in the medium to longer terms” the Plan stated that:

> “we will assess whether the current award review process is working as intended and if any changes may be required. This will aim to ensure the review process continues to meet the eight principles contained in the Social Security (Scotland) Act 2018 including that the system is to be efficient and deliver value for money, whilst maintaining our commitments to supporting disabled people, treating clients with dignity, fairness and respect, and maximising benefit take-up.”

In the Cabinet Secretary’s response to the Committee’s pre-budget report she said:

> “The work referred to in the Fiscal Sustainability Delivery Plan on the review process for Adult Disability Payment is well underway and the Cabinet Secretary for Social Justice will consider the findings.”

Asked about reviews on 22 January, David Wallace said:

> “The review process is not about trying to reduce the caseload or the money. It’s taking a look at the client, at their circumstances, and applying the legislation. […] If moving people off the caseload is the aim of the policy then we need to look at the eligibility criteria rather than the review process.” (SJSS Committee 22 January, 10.02am)

Disability benefit caseload forecasts

The chart below shows how forecasts of the disability benefits caseload have changed since December 2021. This is the combined caseload for the main devolved disability benefits for children, working age and older people. It shows that:

- Since 2021, disability caseloads have been forecast to rise.
- Each subsequent forecast has shown caseloads rising faster.
- The exception is the current forecast, which shows a slightly slower rise compared to the previous forecast.

There were around 575,000 people getting disability benefits in Scotland in 2020. The most recent forecast is that by 2030, there will be around 1,031,000 people getting disability benefits – an increase of 79% over ten years.

When this issue was discussed with the SFC at Committee last year, Professor Roy said that the reasons weren’t clear:

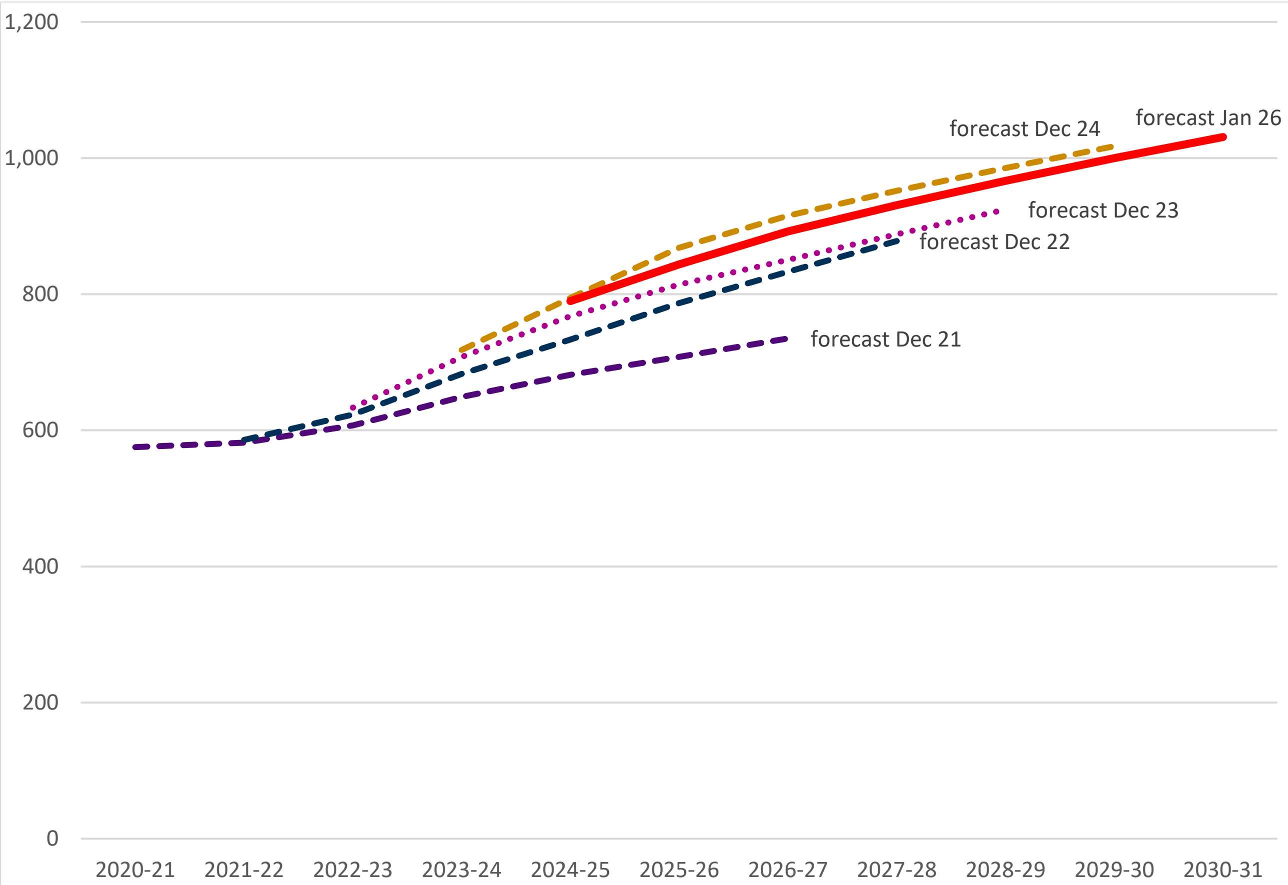
> “As for why that is happening, my honest answer to you is that I do not know. It is one of the real issues here; we see the data—that is, the case load—and

> we can all speculate on why that might be the case. It could be the rise of social media, it could be issues in schools, it could be legacies of Covid or it could have something to do with the wider challenges of poverty and inequality in the broader economy. We can all speculate, but a hard causal link between the increase and a particular factor is still uncertain. Various think tanks and researchers have started to speculate and do some studies on what the link might be." SJSS Committee Official Report, 19 December 2024.

The Scottish Government is due to publish on this topic in February. In response to this Committee's pre-budget report, the Cabinet Secretary said that:

> "Understanding the Drivers of Changes in Demand for Disability Benefits in Scotland since 2010' produced by the Office of the Chief Social Policy Adviser is on track to be published by the end of next month."

Chart 5: Changing forecasts of disability benefit caseload, 000s.



Source: SFC forecasts for relevant years. Combined forecasts for ADP, CDP, PADP, SADLA and DWP equivalents. Does not include Employment Injuries Assistance or Severe Disablement Allowance as these remain with DWP. Latest forecast is a solid line.

Table 4 below gives the latest forecast broken down by individual benefit for the years 2024-25 to 2030-31.

Table 4: Disability benefits caseload forecast, January 2026

Payments, thousands	2024-25 outturn	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Adult Disability Payment	473	507	550	589	625	659	691
Pension Age Disability Payment	152	168	175	179	182	185	189
Child Disability Payment	94	105	109	111	112	113	113
Scottish Adult Disability Living Allowance	71	64	58	53	48	43	39
Total disability	**790**	**844**	**892**	**931**	**967**	**1,000**	**1,031**

Scottish Fiscal Commission forecasts, January 2026, Fig S5.2. Includes Social Security Scotland benefits and recipients of DWP equivalents in Scotland. Does not include Employment Injury Assistance or Severe Disability Allowance.

ADP caseload compared to PIP

The SFC state that the difference between ADP and PIP has narrowed:

> "We continue to expect the number of people receiving payments and spending on ADP to exceed what would have occurred had PIP remained in Scotland. Between March 2022 and July 2025 the number of people receiving PIP in England and Wales increased by 45%, while the number of people receiving ADP and PIP in Scotland increased by 57%. If growth rates had remained the same, we estimate that around 35,000 fewer people would be receiving ADP at present. However, the latest caseload data suggests the scale of the difference between ADP and the counterfactual of the continuation of PIP is narrower than our previous forecast suggested" (SFC, summary for SJSS Committee para 21)

A more stable picture

When Social Security Scotland first launched its social security benefits, there was considerable uncertainty about how different approaches to administration would affect caseload and spending. Now that ADP and CDP have been in place since 2022 and 2021 respectively, the picture is becoming clearer. SFC state:

> "there is underlying uncertainty in our social security forecasts, which we have discussed in previous publications in particular for disability payments as the new system was being implemented. A more stable picture is now emerging with the main disability payments in operation and Social Security Scotland processes established." (SFC summary para 39).

Members may wish to discuss:

5. **Disability benefit caseloads are still rising across the UK. Are we getting any closer to understanding the reasons for this?**

6. **The SFC report states that: "the difference between ADP and the counterfactual of the continuation of PIP is narrower than our previous forecast suggested." To what extent should we adjust our expectations about the differences between PIP and ADP?**

7. **The SFC report states that 'a more stable picture is now emerging' of devolved disability benefits. Can witnesses expand on what areas of forecasting have become clearer and where there is still uncertainty?**

Scottish Government policy changes

The main policy changes over the last year have been:

- UK Government's abolition of the two-child limit and Scottish Government's subsequent cancellation of the mitigation payment.
- Increase in SCP to £40 for babies under one.
- Changes to Pension Age Winter Heating Payment from restriction to Pension Credit in 2024/25 to being available to all those of pension age in 2025/26.

Two-child limit

The two-child limit mitigation payment was announced in December 2024, too late to be included in the December 2024 forecasts. A forecast was produced in January 2025 and included in the May and June updates.

In November 2025 the UK Government announced the abolition of the two-child limit, so the mitigation payment was no longer required.

Abolition will increase the number of people eligible for Universal Credit and therefore for the Five Family Payments. It also increased the number of people affected by the benefit cap, and therefore increased forecast spend on Discretionary Housing Payments.

In 2026/27, abolishing the two-child limit means a saving of £141m, offset by:

- spending an additional £8m on Discretionary Housing Payments (DHPs) for mitigating the benefit cap, and
- spending an additional £7m on Five Family Payments (Scottish Child Payment, the 3 Best Start Grants and Best Start Foods).

On 15 January this Committee discussed these costs with Child Poverty Action Group and others. In previous years, the DHP budget for mitigating the benefit cap has been underspent, as illustrated in table 5 below.

Table 5: Budget and spend on mitigating the benefit cap

£m	Budget	Outturn
2023-24	£6.2	£3.5
2024-25	£7.8	£5.0

Sources: DHP statistics for 2024-25 , 2023-24 and 2022-23

It is unclear whether these underspends relate to poor take-up or difficulties in estimating the budget as there are complex rules around exemptions from the benefit cap. Last week, John Dickie (CPAG) told the Committee that:

> “Around 65 per cent of the budget was spent in the past full year, which suggests that not all those who should be entitled to get that discretionary housing payment to mitigate the benefit cap are getting it. However, as others have said, that could also have to do with how the budgets are estimated.” (SJCC Committee, 15 January 2026, col 17)

SCP increase

The SFC forecast that the new baby premium in SCP will be in place from mid 2027-28, at a cost of £3.5m that year, rising to around £7m in subsequent years. (The cost is lower in 2027-28 because SFC assume that the payment will not be in place until the second half of the year.) SFC state that this costing is very uncertain but:

> “this measure is small enough that it is unlikely that actual costs will differ materially from our costing.” (SFC January 2026 forecasts, para A.70)

Pension Age Winter Heating Payment (PAWHP)

In 2024/25 PAWHP was available to those in receipt of Pension Credit and other means tested benefits. In November 2024 the Scottish Government announced a £100 payment to other pensioners. In June 2025, both the UK and Scottish Governments announced full payment to all pensioners with the money being recouped through the tax system for those with annual incomes above £35,000. (This payment recovery is not included in the spending forecasts). The main difference is that PAWHP is uprated by inflation each year, whereas Winter Fuel Payment is not.

The change to UK Government policy resulted in additional funding through BGA, which is largely matched by the additional spending on PAWHP. The current forecast is that, in 2026-27, spending on PAWHP will be around £13m more than funding received through the Winter Fuel Payment BGA (SFC, fig S5.13).

Members may wish to discuss:

8. **Over the last year there have been several policy announcements that have affected forecasts – on winter heating, two child limit and Scottish Child Payment. How did these policy changes affect your forecasts?**

9. **Spending on mitigating the benefit cap has generally been below budget. What might explain this? How certain is your forecast that an additional £8 million is required to mitigate the benefit cap next year?**

Effect of inflation

Inflation is higher than forecast and this adds around £80m per year compared to previous forecasts. In 2026-27 benefits are being uprated by 3.8%, rather than the 2.7% assumed in the December 2024 forecast.

The Scottish Government has a statutory duty to uprate almost all devolved social security benefits by inflation.[1] This provides very little flexibility when responding to inflationary pressures. The draft policy note to the uprating regulations explains.

> "Section 86B of the 2018 Act requires Scottish Ministers to bring forward legislation before the end of each financial year to replace the amounts of all benefits delivered under the 2018 Act with amounts which are at least as high as the inflation-adjusted level of each amount."

(The Committee will consider the uprating regulations at a future meeting).

In recent years, higher inflation added considerably to forecast spend. Although inflation has eased, it is still forecast to add over £1 billion to total spending between 2025-26 and 2030-31. Of this, £888 million is covered by the Block Grant Adjustments, leaving £131m to be found from other resources.

Table 6: Cumulative effect of inflation from 2025-26

£ million	2026-27	2027-28	2028-29	2029-30	2030-31
Effect of uprating payments, of which:	263	447	619	816	1,019
BGA attributable to uprating	225	382	533	705	888
Uprating not covered by BGAs	39	64	87	111	131

Source: SFC forecasts January 2026, figure S5.14

Members may wish to discuss:

10. To what extent do changing inflation forecasts pose a risk to the social security budget? How does the scale of that risk compare to other factors such as policy changes or underlying demand?

Forecast evaluation report 2024-25

In August, SFC published their forecast evaluation report for 2024-25. This showed that social security outturn was 2% (£142 million) lower in 2024/25 compared to the forecast made in December 2023 which informed the 2024/25 Scottish Government budget.

[1] Benefits not included in this statutory duty are: Best Start Foods (legislated for under the Social Security Act 1988), (although Scottish Government has a policy commitment to uprate this), and benefits that remain under agency agreements (industrial injuries and severe disablement allowance). Job Start Payment and Carer's Allowance Supplement do not require legislation to uprate them.

Policy changes affecting forecasts in 2024-25 were:

- Lower spending due to restricting Pension Age Winter Heating Payment in 2024/25 to those in receipt of Pension Credit

- Increasing the Scottish Welfare Fund budget from £35 to £53 million as part of energy costs support

There was also a change in scope for Employability forecast as Fair Start Scotland closed to new participants at the end of 2023-24.

The report states that:

> "The biggest single reason for error this year was the in-year change in policy for Pension Age Winter Heating Payment, which led spending to be £151 million lower than our forecast."

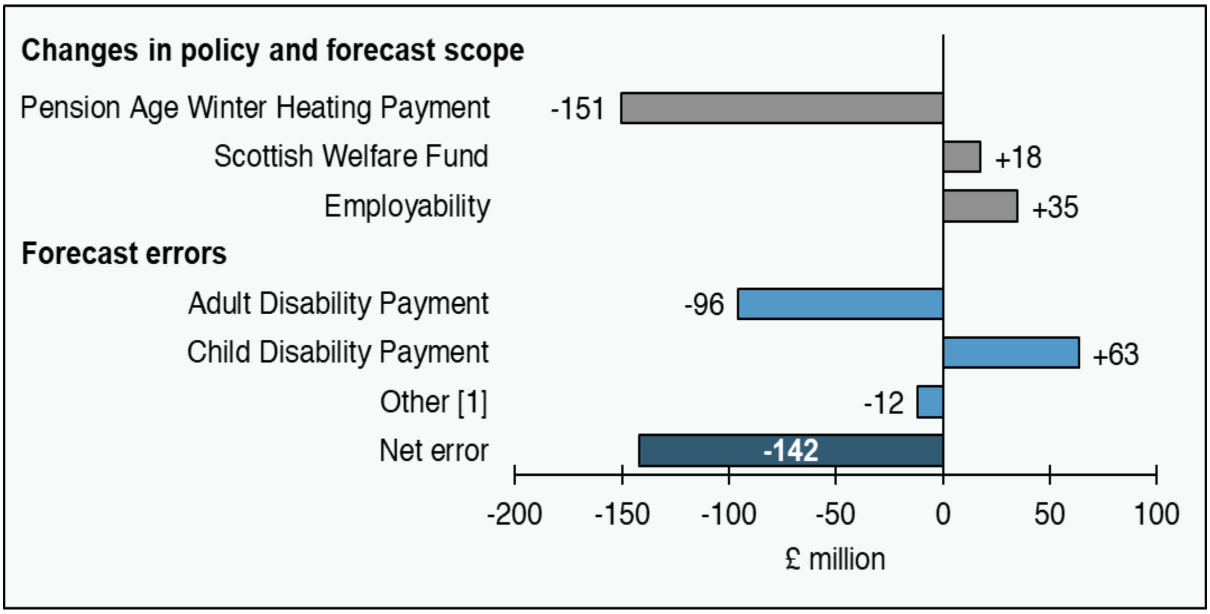
This was due to a decision to restrict Pension Age Winter Heating Payment to those in receipt of Pension Credit. This followed the UK Government's similar change to Winter Fuel Payment. Because the change was applied that same year, there wasn't the opportunity to reflect it in updated forecasts.

Lower spending on Pension Age Winter Heating Payment and Adult Disability Payment was partly offset by higher spending on Scottish Welfare Fund, Employability Services, and Child Disability Payment.

The evaluation report states that,

> "Putting in-year changes in policy and a widening of the scope of our employability forecasts to one side, total spending on the other payments was within 1 per cent of our forecast."

Chart 6: Decomposition of December 2023 social security forecast error for 2024-25



Source: SFC, Forecast Evaluation report, fig 4.3

Members may wish to discuss:

11. **What were the main factors affecting the forecast error levels in 2024/25?**

12. **Over recent years, what have you learned about the main factors affecting forecast accuracy? To what extent are these factors within your control?**

Camilla Kidner, Senior Researcher, SPICe

Date: 22 January 2026