SJHLG/S7/26/4/1

Social Justice, Housing and Local Government Committee
Wednesday 23 September 2025
4th Meeting, 2025 (Session 7)

Note by the Clerk

Pre-budget scrutiny: disability benefit spending

1. The Scottish Government publishes a spending budget each year. Parliamentary committees seek to influence the development of the budget by exploring key issues and sharing their findings with the Government.
2. At its meeting on 09 September 2026, the Committee agreed to focus its pre-budget scrutiny on disability benefit spending and to invite two panels of stakeholders to provide evidence on this issue.
3. The Committee's pre-budget scrutiny will consider trends in disability expenditure and their implications for people in receipt of disability benefits, public services and wider public finances. This includes consideration of increases in disability benefit caseloads across the UK, the extent to which trends differ in Scotland, and the implications for Scotland's public finances of changes to UK Government welfare policy.
4. At its meeting on 23 September 2026, the Committee will take evidence from representatives of the Scottish Fiscal Commission and the Fraser of Allander Institute in relation to disability benefit caseloads and expenditure, forecasts of future spending and matters arising from differences between Scottish and UK Government policy.
5. The Committee will then take evidence from Edel Harris OBE, the Scottish Health Equity Research Unit, and the Scottish Association for Mental Health in relation to the interaction between population health and disability expenditure.
6. These evidence sessions will provide an opportunity for the Committee to explore factors associated with growth in disability benefit caseloads, the implications of developments in UK welfare policy for the Scottish Budget, and wider issues relating to the future sustainability of disability benefit expenditure.
7. SPICe has prepared a briefing for the Committee on disability benefit spending. The briefing is included as an Annexe to this paper.
8. Following the evidence sessions, the Committee is expected to agree correspondence to the Cabinet Secretary for Social Justice and Housing setting

out matters arising from its pre-budget scrutiny in advance of publication of the Scottish Budget 2027-28.

Clerks to the Committee
September 2026

Annexe

SPICe Scottish Parliament Information Centre Ionad Fiosrachaidh Pàrlamaid na h-Alba

Pre-budget scrutiny

This paper briefing provides background for the discussion with today's panels on disability benefit spending and the Scottish budget.

The purpose of the session is to consider what is driving the increase in disability benefit spending and what this means for the Scottish budget.

About the witnesses

The **Scottish Fiscal Commission** have a statutory role to provide independent social security and tax forecasts. Their social security forecasts are used to set the Scottish government's social security budget. They normally provide forecasts twice a year in December and May. There was no May forecast this year because of the election. Their last forecasts were in January 2026. Their next forecast will be published alongside the Scottish Government budget.

The **Fraser of Allander Institute**, at Strathclyde University, has submitted evidence to, and published blogs on, the Timms review, and has a programme of research on learning disabilities and the disability employment gap.

The **Scottish Health Equity Research Unit** (SHERU) is an independent research unit, based at Strathclyde University, funded by the Health Foundation to provide insight, analysis, and scrutiny on the socio-economic factors driving health inequalities in Scotland.

The **Scottish Association for Mental Health** (SAMH) operate over 70 services in communities across Scotland, providing mental health social care support, addictions and employment services, among others. They were on the expert advisory panel for the independent review of ADP.

Edel Harris, OBE chaired the Independent Review of ADP, publishing her report in July 2025. Her other experience includes Chair of the EY Foundation (supporting young people from low income backgrounds to thrive in the workplace), CEO of Mencap, CEO of Cornerstone Community Care, Chair of the Life Changes Trust (now wound up) and the Scottish Government's Social Investment Fund.

Devolved disability benefits

There are four disability benefits administered by Social Security Scotland. They are intended as a contribution towards the extra costs of disability and can be claimed regardless of income or whether someone is working.

- Adult Disability Payment (ADP) – apply from age 18 to pension age. The equivalent of Personal Independence Payment. Launched in phases in 2022.
- Pension Age Disability Payment (PADP) – apply after pension age. The equivalent of Attendance Allowance. Launched in phases in 2024-25.
- Child Disability Payment (CDP) – the equivalent of Disability Living Allowance (child). Launched in phases in 2020-21.
- Scottish Adult Disability Living Allowance (SADLA) – not open to new applicants. It was set up for older people transferring from Disability Living Allowance. Launched in 2025.

After launching for new clients in Scotland, existing clients on the equivalent DWP benefits were gradually transferred over to Social Security Scotland. This process was complete by December 2025.

For further background see this SPICe briefing which includes an overview of the eligibility criteria for each. The broader policy background and funding for devolved social security as a whole is discussed in the SPICe Social Security subject profile.

Forecast spend and caseload

The Scottish Fiscal Commission's latest forecasts for spending and caseload are set out below. The large scale of ADP in comparison to other disability benefits means that it is trends in ADP that has the biggest impact on the Scottish budget.

Table 1: Forecast caseload for Scottish disability benefits.

000s	2024-25 outturn	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	% change
ADP	473	507	550	589	625	659	691	46%
CDP	94	105	109	111	112	113	113	20%
PADP	152	168	175	179	182	185	189	24%
SADLA	71	64	58	53	48	43	39	-45%
total	**790**	**844**	**892**	**931**	**967**	**1,000**	**1,031**	**31%**

Source: SFC forecast January 2026. N.B 2024-25 and 2025-26 includes clients in Scotland getting DWP equivalent benefits as case transfer was still ongoing.

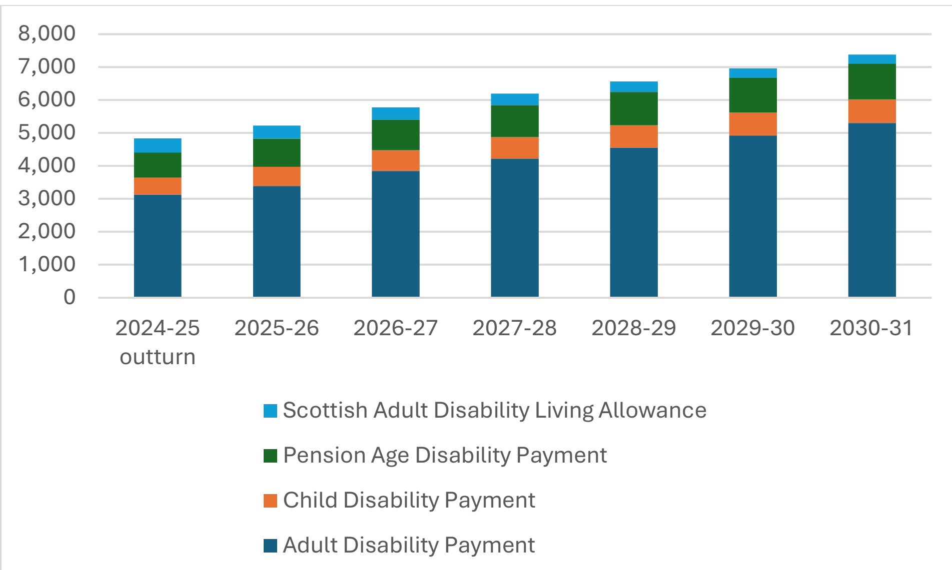
Table 1 shows a forecast 31% increase in caseload and table 2 shows a forecast 53% increase in spending between 2024 and 2030. Benefits are uprated annually for inflation so spending will rise faster than caseload.

Table 2: Forecast spend on Scottish disability benefits to 2030-31, £m.

£ million	2024-25 outturn	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	% change
ADP	3,131	3,393	3,845	4,218	4,558	4,927	5,308	70%
CDP	514	583	629	659	676	696	712	39%
PADP	762	853	927	972	1,009	1,050	1,091	43%
SADLA	430	401	375	349	321	296	271	-37%
TOTAL	**4,837**	**5,230**	**5,776**	**6,198**	**6,564**	**6,968**	**7,383**	**53%**

Source: SFC forecast January 2026. NB includes spend in Scotland on DWP equivalent benefits. SADLA is closed to new applicants, so spending will fall over time.

Chart 1: Disability benefit spending forecast, Scotland. £m.



Source: SFC forecast January 2026

The Scottish Fiscal Commission forecast that by 2030:

- around 1 million people in Scotland will be getting disability benefits from Social Security Scotland (table 1, above).

- total spend on these disability benefits will be £7,383 million (table 2 above)

- spending will be around £202 million more than funding provided through Block Grant Adjustments for these benefits, with disability benefit BGAs forecast to cover 97% of the spending for the four main disability benefits. (chart 5 below).

England and Wales

Forecasts for England and Wales are broadly similar. Between 2024-25 and 2030-31 the Office for Budget Responsibility forecast a 35% increase in caseload and 58% increase in spending on the three main disability benefits (Table 3, below).

Table 3: England and Wales: % increase caseload & spend 2024-25 to 2030-31.

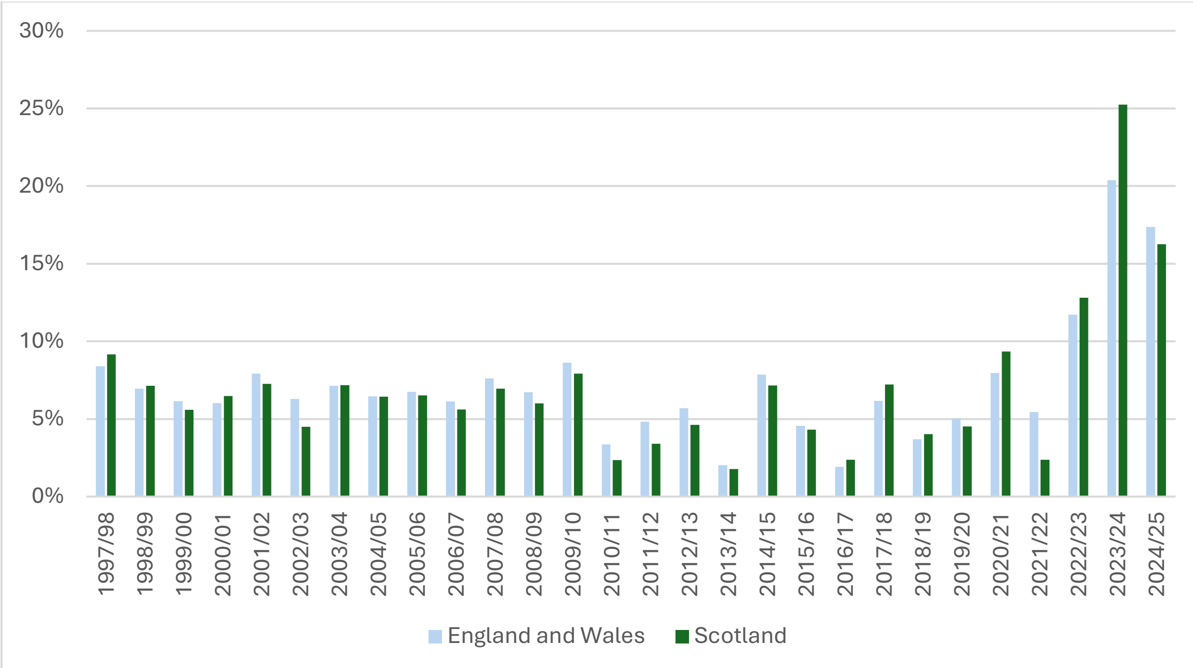
Benefit	% increase in caseload	% increase in spend (cash terms), £m
Disability Living Allowance	5%	25%
Personal Independence Payment	51%	73%
Attendance Allowance	24%	43%
Total	**35%**	**58%**

Source: DWP benefit expenditure and caseload tables.

Past trends: Scotland compared with England and Wales

Over the longer term, since the mid-1990s, spending has grown in Scotland at around the same rate as in England and Wales (chart 2, below). A notable exception is 2023-24 when spending in Scotland increased considerably more than in England and Wales. However, 2024-25 saw a return to similar rates of growth. One possibility is that the faster growth in Scotland may have been a temporary issue linked to the launch of Social Security Scotland benefits.

Chart 2: Percentage annual increase in disability benefit spending, England and Wales compared to Scotland. £m. (cash terms) 1997 to 2024.



Sources: SPICe calculations based on DWP benefit caseload and expenditure data regional analysis. Scottish data from 2020 onwards is outturn data as noted in Scottish Fiscal Commission forecasts. Notes: Shows sum of Attendance Allowance, DLA and PIP and in Scotland from 2020 onwards also includes CDP, ADP, SADLA and PADP.

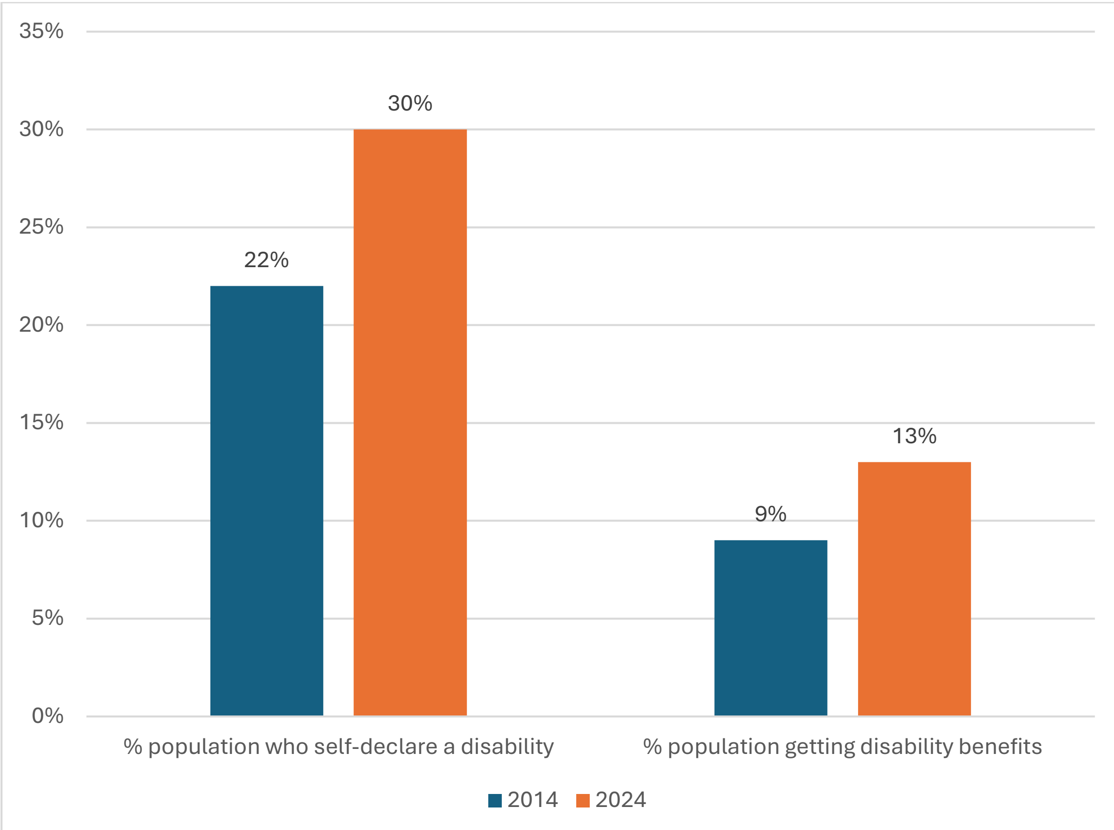
Increasing number of people with self-declared disability

There has been a large increase across the UK in the number of people self-reporting in surveys that they have a disability. Data from the Family Resources Survey shows that:

- in England and Wales between 2014 and 2024 the proportion of the population with a self-declared disability increased from 20% to 24%.
- in the same period the proportion of the Scottish population with a self-declared disability increased from 22% to 30%.

Not everyone who has a disability is entitled to disability benefits. The ADP review notes that disability-related questions in surveys may not capture all of the eligibility criteria for disability benefits, and perceptions of disability may vary person to person. Chart 3 below illustrates that difference – in 2014, 22% of people in Scotland self-declared a disability and 9% of people got a disability benefit. Ten years later these proportions had increased to 30% and 13%.

Chart 3: Increase in disability and disability benefits, Scotland. 2014 and 2024.



Source: SPICe calculations based on DWP statxplore, (Benefit administrative data and Family Resources Survey), Social Security Scotland statistics. Benefit data is for May 2014 and April/May 2024.

DWP statistics highlight other evidence of increasing levels of disability, saying:

> "The longer-term increase in the number of disabled people could be due to several factors, including changes in public awareness and attitudes towards disability. However, we have seen in other functional-based surveys (which do not rely on people self-reporting disability), that these are not the only factors. For example, the Adult Psychiatric Morbidity Survey (APMS) shows increases in prevalence across a range of indicators of poor mental health, including common mental health conditions, attention deficit hyperactivity disorder (ADHD) and post-traumatic stress disorder (PTSD)."

The evidence pack for the Timms review set out a range of factors that have contributed to the increase in disability and disability benefit spending. In summary the key explanatory factors are:

- demographic change, particularly an ageing population. However, "effects tend to be steady but slow."

- Increasing prevalence of self-reported disability – a combination of actual incidence and of awareness and recognition of disability.
- Increasing awareness of disability benefits.
- The rising state pension age – which increases the age at which people can claim PIP/ADP.
- Direct and indirect health effects of COVID-19.
- NHS capacity has been discussed as a potential factor, but the Timms review comments that: "there is a lack of evidence that this has had a strong impact at an aggregate level."
- Cost of living pressures increasing the real and perceived need to claim social security.
- Reductions in the real terms value of unemployment benefits and increased conditionality requirements may have encouraged people to claim non-means tested benefits.

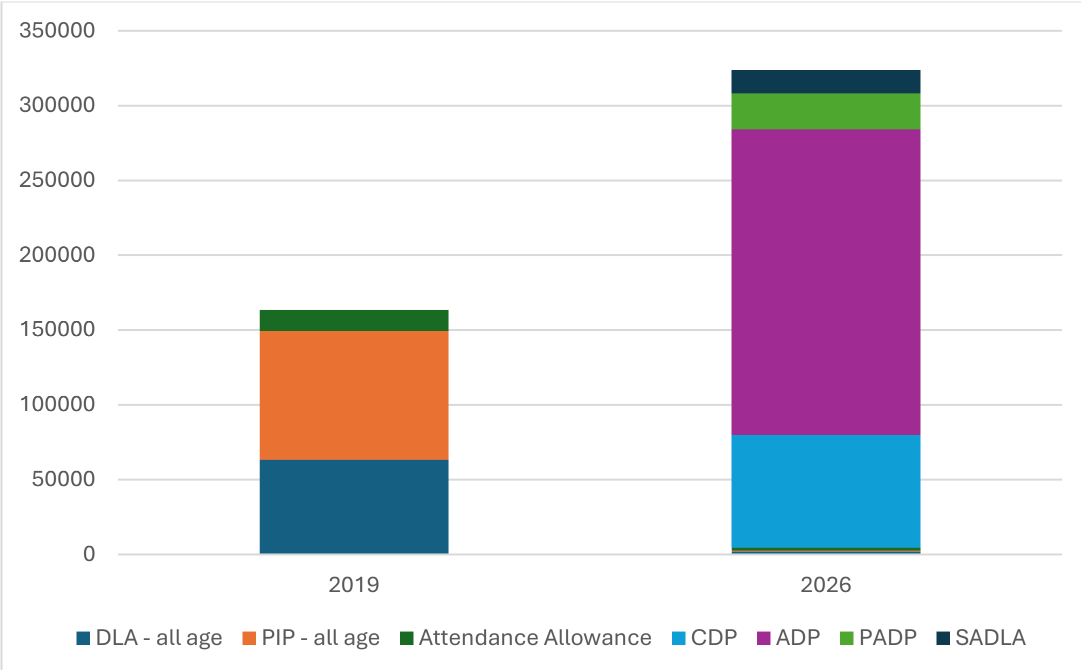
The following looks in more detail at mental health and the cost of living.

Mental health

The proportion of people getting disability benefits whose primary condition was 'mental health and behavioural condition' has almost doubled between 2019 and 2026. (Chart 4, below). Two things to note are that people can have more than one condition, so looking only at someone's 'main condition' can underestimate the extent of the prevalence of that type of condition and reflect changes in which condition is considered to have the greater impact. Also, conditions are recorded differently in different disability benefits.

As of July 2026, 41% of people getting ADP had 'mental and behavioural conditions' recorded as their main condition.

Chart 4: Disability benefit caseload – mental health and behavioural conditions. Scotland, 2019 and 2026.



Source: SPICe calculations based on DWP StatXplore, Social Security Scotland statistics. **NB**: 2019 data is caseload in May 2019. 2026 data is: ADP, PADP April 2026, CDP, SADLA March 2026, DLA, Attendance Allowance November 2025. Shows caseload for 'mental and behavioural disorders'. This category is not used in DLA and AA which show sum of: learning difficulties, psychosis, psychoneurosis, personality disorder, dementia, behavioural disorder, alcohol and drug abuse, hyperkinetic syndrome and severely mentally impaired.

In England and Wales, the Timms interim report evidence pack discussed a similar rise in people reporting mental health issues as a primary disabling condition. Focusing on working age people they reported that:

> “the prevalence of mental health conditions has steadily increased, with the pace of increase quickening since the pandemic, though levelling off somewhat in the latest year. In FYE 2014, around 3% of working age people had a mental health condition as their primary condition, around doubling to 6% by FYE 2025.”

The England and Wales statistics allow for cross referencing main condition with age, showing the large increase in mental health conditions amongst younger age groups. The Timms review reports that:

> “anxiety and depression has increased across the age range, with the highest prevalence among those aged 35 to 59. Between 2009 and 2019, the largest increases were among people in their fifties, while since the pandemic, the biggest increases have been for people aged 30 to 44. The largest relative increases (compared to their original level) have been among the under 25s, although as a share of the population, the increase among this age group is still lower than for those aged 30 to 44.”

Cost of living

In their August update the Scottish Fiscal Commission discussed the different factors that have driven the increase in disability benefit spending, highlighting the impact of inflation:

> "We think the recent cost-of-living pressures have been a factor in the increase over the last five years in the number of people receiving disability payments, in both Scotland and the rest of the UK. The proportion of people reporting having a disability has increased, especially for more deprived households. We do not think the poor economic conditions are the sole driver for the increase in the number of people receiving disability payments. There has also been an effect from worsening population health, including the effect of the COVID-19 pandemic. This coincided with the launch of new disability payments in Scotland, which also contributed to an initial spike in applications. However, we think the cost-of-living pressures have led to people who are already disabled becoming more likely to apply for disability payments."

[…]

> Although eligibility for devolved disability payments is not based on income or employment status, a rise in the number of working-age people in receipt of out-of-work ill-health benefits could lead to an increase in the number of people receiving disability payments. Evidence from DWP suggests that, in some cases, people seeking advice on additional sources of income to meet rising costs also received advice on disability payments."

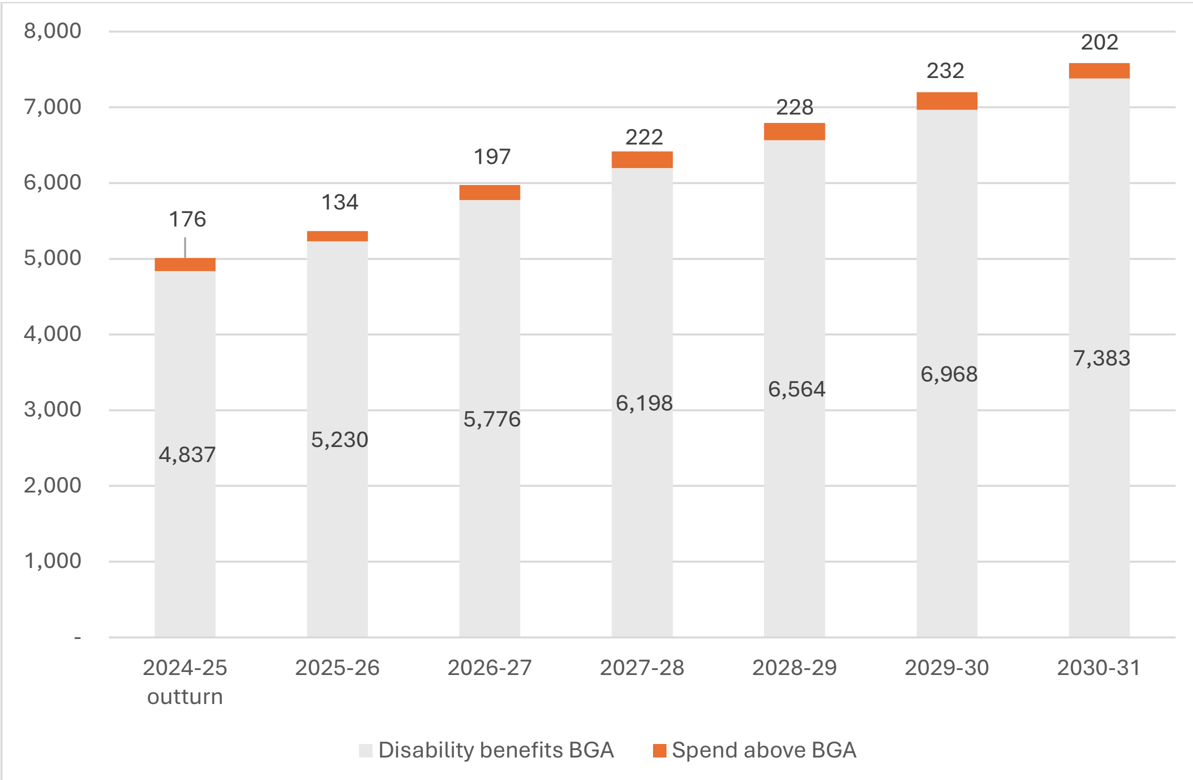
Balance between spending and funding

As long as spending in England and Wales follows the same trend as in Scotland then rising spending in Scotland is matched by rising funding through Block Grant Adjustments (BGA). BGAs are not ringfenced to be spent on social security – they are just one element making up the Scottish block grant. Comparing social security BGAs and spending shows the 'net impact' of social security policy on the Scottish budget.

That 'net impact' of disability benefits - the forecast difference between BGA and spend - increases from £197 million this year to £232 million in 2029 before falling back to £202 million in 2030. In the context of over £7 billion spending on disability benefits, this additional spending is relatively low.

Last week the Cabinet Secretary emphasised that the additional investment in social security as a whole is forecast to remain stable at 1.7% of total Scottish Government budget (SJHLG Committee 16 September at 09:18am).

Chart 5: Scottish disability benefit funding and spending, 2024-30. £m



Source: Scottish Fiscal Commission forecasts January 2026.

Expected financial impact

When the Scottish Fiscal Commission first published costings for Adult Disability Payment in 2021 it assumed that the policy differences would result in higher spending on ADP. The initial costing set out spend of £3 billion on ADP in 2026-27 compared to spend of around £2.5 billion had PIP continued.

> "We expect spending on ADP to be £0.5 billion higher than PIP in 2026-27 because of changes to the application and review processes as well as how the payment is delivered."
>
> Scottish Fiscal Commission, 2021

It has turned out that the difference in spending between ADP and PIP has been less than was first expected. ADP spend in 2026-27 is now forecast to be £209 million more than the PIP BGA.

The Institute for Fiscal Studies noted recent trends showing that ADP is expected to be less costly than previously estimated, but said that the Scottish Government needs to consider how it would respond if the balance between funding and spending changed:

> "Falling application success rates and higher shares of existing recipients having their payments reduced or ended at reassessment mean Scotland's disability benefit system is now expected to cost less than previously estimated, easing pressures on the Scottish budget somewhat. However, with the UK government's Timms Review of its disability benefits reporting this autumn, and Reform UK proposing big cuts to these benefits if it wins the next election, the Scottish Government will need to consider how it would respond if the amount it receives via the social security BGAs is reduced as a result of reforms elsewhere in the UK." IFS, August 2026.

The quote refers to falling authorisation rates. In 2022-23, the first year of ADP, 57% of applications were authorised at initial decision. By 2025-26 this had fallen to 34%. Latest statistics show that the authorisation rate in July 2026 was 31%.

The IFS also referred to reviews. Individual ADP awards are reviewed at a set date, when circumstances change and everyone transferred from PIP between 2022 and 2025 also had their benefit reviewed. Overall, as of April 2026, only 6% of ADP clients had their award decreased or ended at review. However, for those new clients who applied to ADP since 2022 having planned reviews, the rate was 13%.

Policy change? Timms and ADP reviews

Policy changes by either government could change the balance between funding and spending.

The problem is illustrated by the July 2025 UK government proposals to slow the growth in PIP spending. The proposals were dropped but had they been implemented they would have significantly increased the gap between the BGA for PIP and spending on ADP to around £770 million by 2029-30. At the time Audit Scotland made the point that:

> "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, September 2025)

The proposals did not go ahead, but it does illustrate how Scottish Government budgets can be affected by UK government policy. When the changes to PIP were dropped, the UK Government launched a review of PIP led by Sir Stephen Timms which is due to report this autumn. This means that the outcome of the Timms review of PIP is important for the Scottish budget. If it results in lower forecast spend for PIP, this will reduce the funding to the Scottish government.

Will Timms review slow the growth in PIP spending?

It is not yet clear what impact the Timms review will have on PIP spending. It depends on the UK Government's response to the final recommendations, the timing of any changes and whether changes have the desired impact. The Office for Budget

Responsibility has described how the introduction of PIP from 2013 has led to increased costs rather than the savings that were originally expected.

The terms of reference for the Timms review state that spending must stay within current forecasts:

> “the purpose of the Review is to ensure that PIP is fair and fit for the future rather than to generate proposals for further savings. However, the sustainability of the system is an important consideration and so the Review will operate within the OBR’s projections for future PIP expenditure, to ensure it is there to support generations to come.”

Some disabled people’s organisations are concerned that this leaves the door open to cuts. When Pat McFadden MP, Secretary of State, Department for Work and Pensions appeared before the Work and Pensions Committee in June, he said of the Timms review that:

> “There’s nothing to stop them coming forward with measures that reduce costs, but we didn’t want them to come forward with a review that simply said, ‘let’s pay much more into the system.’” (Hansard, 17 June 2026)

On the other hand, Sir Stephen told the BBC in July that:

> “My view is that the current level of spending is not a great concern. What would be a concern would be if it carried on going up forever more."

Emerging recommendations were published on 9 September but say nothing new on spending. They cover a range of issues such as improving the experience of applying for PIP, improving assessments, and setting out principles for a larger reform.

Disability Rights UK welcome some of the draft recommendations that would improve the experience of applying for and receiving PIP, but are concerned that:

> “The vague and ambiguous language of the draft recommendations in relation to a new PIP, leave much room for speculation and interpretation.”

In particular they have:

> “major concerns that a future PIP would no longer be a cash only benefit for all but instead would see some recipients receiving a mixture of cash, services and information.”

Workshops and further discussions are planned during September to shape the final recommendations.

Last week the Cabinet Secretary said that she would not be drawn on hypotheticals about what might be coming out of a review when there is only an interim report available but UK and Scottish Governments are in very close contact to ensure that the implications are realised of what a change to a UK benefit might mean in Scotland. (SJHLG Committee 16 September at 09:32am).

Independent review of ADP

If spending on ADP increased, then that could also widen the gap between the PIP BGA and ADP spending.

The Scottish Government has accepted some of the recommendations of the 2025 report on ADP but has not responded to those that would more fundamentally change ADP. In November 2025 Ms Harris was asked about the financial implications of her recommendations by the Social Justice and Social Security Committee. She said:

> "I have been told many times that it is going to cost too much money if all the recommendations are implemented and that it will not be possible to do that. There will, of course, be some additional costs because some of my recommendations deal with changes to systems, processes and policies, which all comes at a cost. However, I do not think that it necessarily follows that there will be a recurring cost and an increase in benefit expenditure." (SJSS Committee Official Report 27 November 2025).

Last week the Cabinet Secretary said she would write to the Committee setting out the Scottish Government's direction of travel on the independent review of ADP in its entirety. She acknowledged that disabled people's organisations were disappointed that not all the recommendations were being taken forward, but that they had major cost implications (SJHLG Committee 16 September at 09.37am).

The role of other services

The extent to which disability benefits help people meet extra costs is affected by how far other public services and the broader economy is designed to reduce those extra costs.

Last week the Cabinet Secretary referred to the manifesto commitment to do further work on identifying the extra costs of disability. The commitment is:

> "We will carry out regular reviews on the cost of disability and the effectiveness interventions and support for disabled people. This will inform action at every level of the public sector to improve the support in a targeted way."

The Independent Review of ADP referred to the importance of other services and support, suggesting that ADP could be seen as part of a wider package of support:

> "In a country the size of Scotland it should be possible for the Scottish Government to use its reach to ensure everyone who makes an application for Adult Disability Payment (whether the application is successful or not) is signposted with their consent to the relevant local statutory or voluntary services that may be able to provide additional advice, support, and signposting."

The Timms review interim report reflected that gaps in that wider support could impact social security spending:

> "The steering group's conversations to date, and the evidence it has looked at, suggests that PIP is not doing what it was originally designed to and is often filling the gap that arises between other services or support."

The Timms steering group:

> "highlights the importance of the wider system in supporting independent living."

SHERU's response to the UK Government's 2025 green paper on disability benefit reform discussed the links between disability benefits and other public services, saying:

> "rising caseloads signal deeper systemic issues. When more people rely on social security, it often reflects upstream problems in public services (including the NHS) and economic security. Addressing these root causes is key—reducing benefits alone risks worsening poverty and health inequalities."

Value of spending on disability benefits

Both the Timms review and the ADP review refer to spending on disability benefits not simply as a cost. For example, the Timms interim report recognised that:

> "Ensuring disabled people can participate fully is, therefore, not only a matter of fairness, but fundamental to delivering better outcomes for the nation."

While acknowledging concern about increased spending, Ms Harris proposed viewing spend on ADP as investment in people. Her report stated:

> "If viewed as an investment in the people of Scotland there is evidence of the economic value of the wellbeing impacts of disability benefits and these significantly outweigh the financial costs associated with administering them."

On this theme SAMH say:

> "It is also clear from research, including from the Money and Mental Health Policy Institute, that PIP is essential to supporting many people living with mental health problems retain employment
>
> The independent review referenced this work, concluding that: "This means not only should we continue to encourage people to apply for Adult Disability Payment, but we also need to make the application process as accessible and anxiety-reducing as possible."

Pro-bono economics reported that the economic wellbeing value of disability benefits outweighs the cost. They calculated that:

> "for every £1 spent on disability support, there is an economic benefit in wellbeing of £1.48."

The research found that receiving disability benefit increases wellbeing, and when expressed in economic terms, this is greater than the cash value of the benefit:

> "The observed increase in life satisfaction among disability benefit recipients suggests that these benefits mean more than a simple cash transfer to those who receive them. This boost in wellbeing can be expressed in economic terms and translates to an average annual wellbeing improvement valued at £12,300 per person."

While disability benefits can help support employment and independence, there is also research to suggest the opposite can also be true. The Timms review evidence pack stated:

> "Evidence suggests PIP income helps people meet disability-related costs and improves people's wellbeing and independent living (for example via mobility support). Whilst PIP enables many people to stay in work, for example by paying for adjustments that help people work, 2 impact studies, one conducted by academics and another by the government, indicate that it is likely that PIP receipt also reduces employment overall, although this is at a low level[compared to international examples. Other research demonstrates that some people on PIP are scared to participate, either in physical activities or employment, as this could be seen as evidence that their functional ability has improved."

Broader budget context

In their August update the SFC set the broader context for the Scottish budget as a whole. This gives the context for the ability of the Scottish Government to fund any increases to social security spending from elsewhere in the budget if those increases are not matched by BGA funding. The SFC reported:

- a weaker economic outlook since March, with higher than expected inflation.
- funding for day-to-day spending is expected to fall by 1.2 per cent in real terms in 2027-28.
- the 2027-28 Scottish Budget will be reduced by £720 million for a negative Income Tax reconciliation.
- There are pressures from public sector pay. The overall impact of pay and workforce on the Budget will depend on the balance between funding changes, pay pressures, and progress on workforce reductions, as well as the Scottish Government's approach to pay policy from 2027-28 onwards. This should become clearer following the next UK and Scottish Budgets.

Camilla Kidner, Senior Researcher, SPICe

Date: 17/09/2026