

A solid orange right-angled triangle pointing downwards and to the right.

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee

The Scottish Parliament
Edinburgh
EH99 1SP

9 December 2021

Dear Convener,

Today the Scottish Fiscal Commission has published two reports. [Scotland's Economic and Fiscal Forecasts – December 2021](#) gives our latest forecast for the economy, tax revenues and social security spending to inform the Scottish Government's Budget for 2022-23.

Our separate [Fiscal Update](#) sets out the latest position for the 2021-22 Scottish Budget in light of changes since August, including additional COVID-19 funding, the UK Budget and new OBR forecasts, and revised Scottish Government borrowing plans.

The economic recovery has been stronger than we anticipated in our January 2021 forecasts. We now expect a faster return to pre-pandemic levels of activity and a smaller long-term impact on the economy, but risks remain, particularly around inflation and the potential spread of the Omicron variant, which emerged after we had closed our forecasts.

Despite this strong recovery, we expect the Scottish Government to face budget pressures. After inflation, total funding is expected to increase by only 1 per cent in total over the remainder of the parliament, with a growing shortfall between income tax revenues and the corresponding Block Grant Adjustment, expected to be £190 million in 2022-23, and reaching £417 million by 2026-27.

Our forecasts include the doubling of the Scottish Child Payment, adding a further £180 million to annual social security spending once the payment is fully rolled out.

This comes on top of expected additional spending on the new Adult Disability Payment, which we included in our August forecasts, and we now expect that by 2024-25 social security spending will exceed the corresponding funding by £750 million, reducing the funding available for other spending priorities.

We are committed to being independent, transparent, accessible and open. We look forward to discussing our reports with you on Tuesday, and are holding a public event on 15 December.

Yours sincerely,

A handwritten signature in black ink that reads "Susan".

Dame Susan Rice DBE