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## **FISCAL SUSTAINABILITY REPORT SHOWS TOUGH CHOICES FOR THE SCOTTISH GOVERNMENT**

The Scottish Fiscal Commission today said that the Scottish Government will face long-term challenges in funding the delivery of public services.

Their Fiscal Sustainability Report shows that over the next 50 years spending on public services will increase because of pressures from rising costs of delivery and an ageing population. Spending on health is projected to grow more quickly than that on other services, increasing from around a third of total devolved spending at present to about half in 50 years' time.

The increased spending on public services will run ahead of the likely increases in the funding available to the Scottish Government from the UK Government's Block Grant and from the revenue from devolved income tax and other taxes.

The Scottish Government is a devolved administration operating within an agreed fiscal framework with the UK Government. Consequently, the fiscal sustainability of the Scottish Government's spending and tax policies is interlinked with that of the UK Government's.

The Fiscal Commission shows that under current Scottish and UK fiscal policies, if public services in Scotland are to continue to be delivered as they are today, Scottish Government spending over the next 50 years will exceed the estimated funding available by an average of 1.7 per cent each year.

However, in addition many of the sustainability challenges that Scotland faces are common across the UK. The Office for Budget Responsibility (OBR) suggest that current UK wide tax and spending policies are not sustainable in the long term. The Fiscal Commission estimates that the average budget gap in Scotland would be 10.1 per cent each year if future UK Governments were to move towards a more sustainable position as projected by the OBR.

The Commission's Chair, Professor Graeme Roy, said:

"The pressures of an ageing population and rising costs would occur under any constitutional settlement. Managing them under the current fiscal

framework is a shared endeavour between both the Scottish and UK Governments.

“We hope this report can support a wider and more informed conversation about the public services available for our children and grandchildren and the tax policies necessary to sustain these.”

**ENDS**

## Notes to editors

1. The Commission project that health spending will grow from £19 billion in today's prices in 2027-28 to £60 billion in 2072-73, an increase of 218 per cent. Education will grow from £10 billion in 2027-28 to £14 billion in 2072-73, while all other spending will grow from £25 billion in 2027-28 to £46 billion in 2072-73.
2. The 1.7 per cent and 10.1 per cent average budget gaps are expressed as shares of devolved public spending. They are calculated as annual averages over the entire 50 year projection and are equivalent to £1.5 billion and £10 billion worth of spending each year in today's prices. In broad terms this is equivalent to 4 per cent and 26 per cent of the average spending on health in each year. Alternatively the average gaps are equivalent to 6 per cent and 38 per cent of the average income tax receipts in each year.
3. The Commission uses updated projections for Scotland's population and economic growth as the basis for their analysis of spending and funding. They expect the population of Scotland to fall by approximately 400,000 over the next 50 years, driven by a low birth rate. The population is also ageing, with those 65 and over increasing from 22 per cent of the population in 2027-28 to 31 per cent in 2072-73. At the same time both the 16 to 64 age group and the under-16 population are falling in size.
4. The OBR's [2022 Fiscal sustainability report](#) discusses the long run fiscal sustainability of the UK Government's budget. The OBR finds that on current policies UK debt will reach 267 per cent of GDP in 2071-72.
5. The publication of a fiscal sustainability report was recommended by the OECD in its evaluation of the Commission and by the Parliament's Finance and Public Administration Committee. It is our intention to publish full sustainability reports at least once in each five year Parliamentary session. In other years we intend to publish papers looking at the fiscal sustainability in more specific areas, such as climate change, health and child poverty.
6. The Scottish Fiscal Commission is the independent fiscal institution for Scotland, established by the Scottish Fiscal Commission (2016) Act. Our statutory duty is to provide the independent and official forecasts of Scottish GDP, devolved tax revenue and devolved social security spending for the Scottish Government to use in its budget and financial planning. The Commission's forecasts also assist the Scottish Parliament's scrutiny of the Budget and Budget Bill.
7. Our publications represent the collective view of the Scottish Fiscal Commission, comprising the Commissioners: Professor Francis Breedon, Dr Domenico Lombardi, Professor David Ulph, and the Chair, Professor Graeme Roy.