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University of Strathclyde Glasgow

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FOREWORD

In recent weeks, the Scottish Government has published a number of documents relating to their financial plans, including the medium-term financial strategy, the public service reform strategy, and a fiscal sustainability plan. Each of these emphasised the challenging fiscal environment faced by the the Scottish Government, driven by difficult economic conditions.

Growth has remained slow, with expansion in the first months of the year partially offset by contractions in March and April. CPI is now 3.4% after remaining below 3% throughout last year, leading to a pause in decreases to the interest rate from the Bank of England.

Our latest forecasts reflect greater uncertainty and difficult economic circumstances. We now expect growth to be 0.8% in 2025 and 1.0% in 2026.

Businesses reported a slowdown of activities in the first quarter compared to the same period last year. This decline in activity may reflect the impact of increases to employer National Insurance Contributions (NICs) as well as uncertain conditions, particularly from trade and tariff decisions taken by the US government.

Difficult conditions for business have been echoed in the labour market, where pay growth has been slow and the number of number of employees has fallen by 0.9% from last year. While there is some indication that the proportion of people living beyond their means in Scotland may have increased compared to this time last year, other indicators of financial stability seem to be holding steady.

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FOREWORD

July 2025

In this edition of the Economic Commentary, we continue our series on Scotland's social security landscape with an article on Universal Credit and legacy benefits. These are reserved benefits governed by the UK rather than the Scottish Government.

Total spending on Universal Credit and legacy benefits in Scotland remains around £1 billion higher in real terms than before the pandemic, driven largely by an increase in the number of people claiming these benefits from 550,000 in February 2020 to around 720,000 at the end of 2024. It remains to be seen if proposed changes to disability benefits (covered in our last edition of the Commentary) and Universal Credit will pass into law, potentially affecting future caseloads and costs.

Finally, we provide some commentary on recent UK Spending Review and the Scottish Medium-Term Financial Strategy (MTFS). These set our expectations for the Scottish block grant settlement and the spending expectations of the Scottish Government.

Our forecasts demonstrate the continuing challenge for policymakers of combined slow growth and spending pressures. Through the second half of the year, we'll be watching the Scottish and UK budget processes closely to see how policymakers are balancing short-term pressures with long-term considerations.

Fraser of Allander Institute
July 2025

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FORECASTS

0.8%
2025 forecast

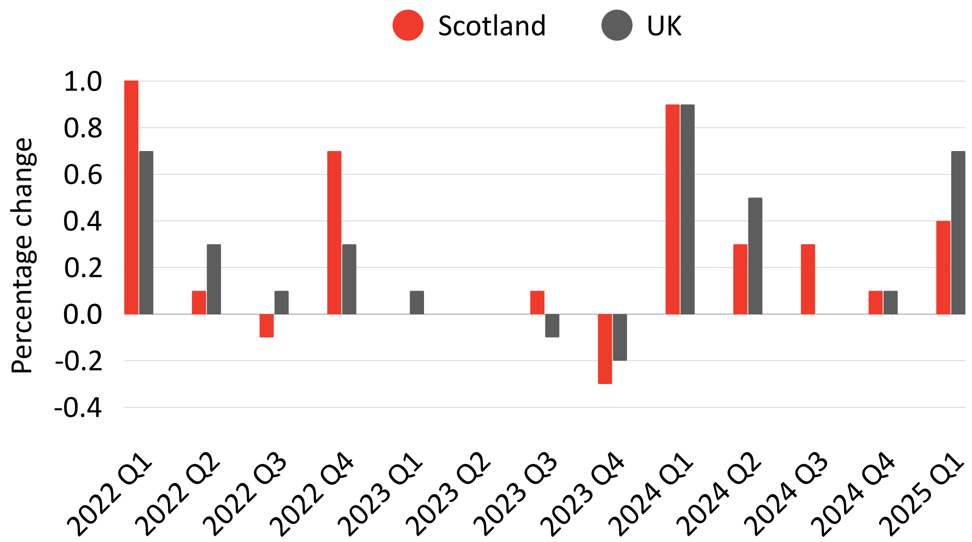
1.0%
2026 forecast

1.1%
2027 forecast

Scotland saw quarterly growth of 0.4% in the first quarter of 2025, an increase on the last quarter of 2024 when growth was 0.1%. This means that Scottish GDP has grown 1.1% overall since 2024 Q1.

The latest monthly figures show a contraction in both March (0.4%) and April (0.2%), driven primarily by manufacturing and food services.

Scottish Monthly Change in GDP



The Scottish Fiscal Commission has downgraded their forecasts for real GDP growth in 2025 from 1.5% in December 2024 to 1.1% in May. This mirrors the OBR's forecasts for UK growth (2% in October falling to 1% in March).

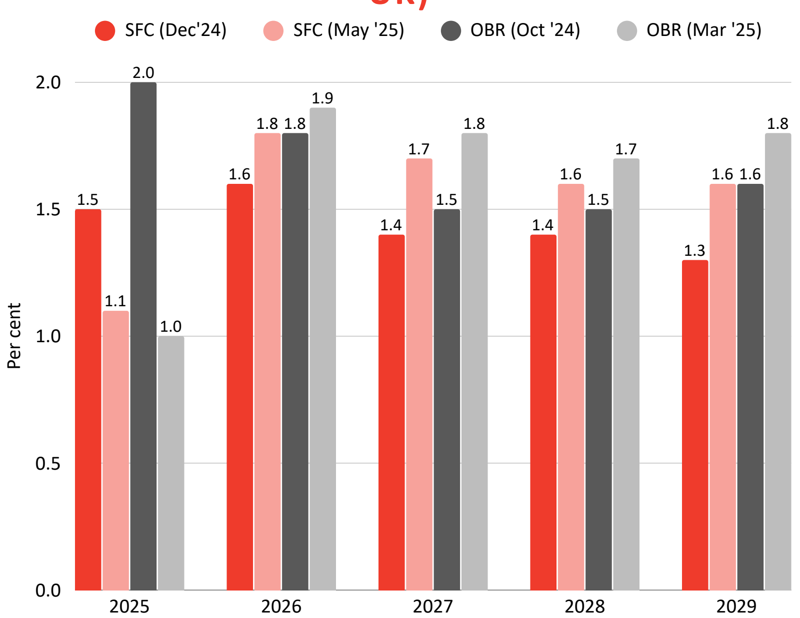
However, forecast growth for both Scotland and the UK has been upgraded for subsequent years – for example, from 1.6% to 1.8% in Scotland in 2026. The slowdown in growth this year is largely due to higher global uncertainty, particularly from the announcement of tariffs in the US and elsewhere. With the CPI rate at 3.4% in May 2025 after staying below 3% throughout 2024, an uptick in inflation has also played a role.

Scottish GDP Growth Forecasts

The FAI forecasts for 2025 and 2026 have been revised down to reflect economic conditions in both the UK and the world economy, particularly given the weakening growth that we have seen in March and April. We expect growth of 0.8% in 2025 and 1.0% in 2026.

	2025	2026	2027
FAI June 2025	0.8%	1.0%	1.1%
FAI April 2025	0.9%	1.1%	1.1%
SFC May 2025	1.1%	1.8%	1.7%

Real GDP Growth Forecasts (Scotland & UK)



Source: Scottish Government, ONS, SFC and OBR

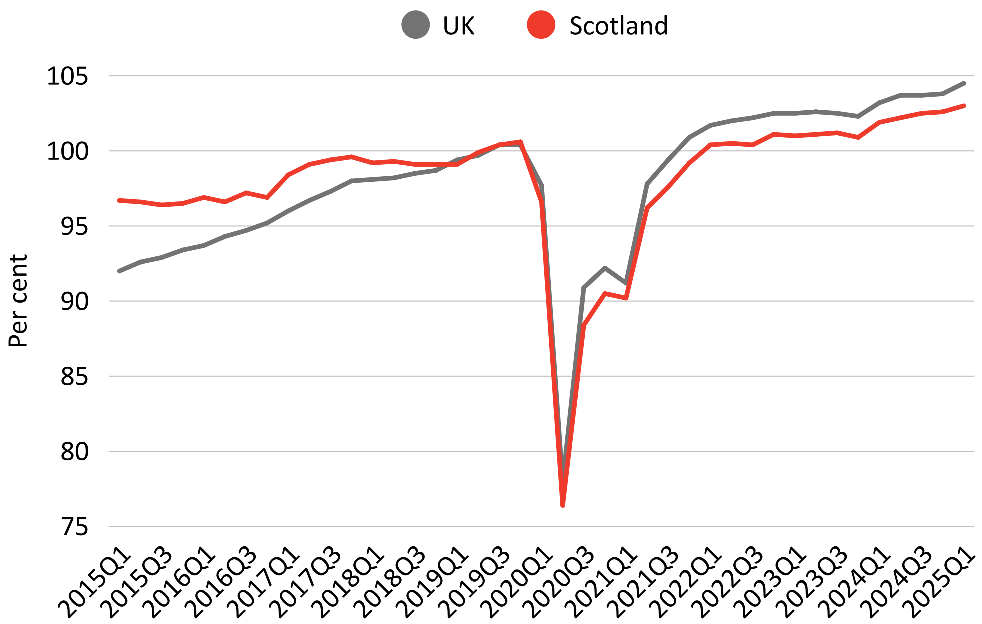
THE SCOTTISH ECONOMY

Modest Growth in Scotland Driven by Production

Scottish real GDP grew 0.4% in the first quarter of 2025, compared to 0.7% in the UK as a whole. A pattern of lower growth in Scotland has persisted, leading to a weaker recovery from the pandemic than the UK generally.

Growth was 1.1% compared to the first quarter of last year. This was largely driven by the production sector, which grew 2.6% on the year. Services saw slower growth at 0.9% on the year.

Scottish and UK Quarterly GDP (2019 = 100)

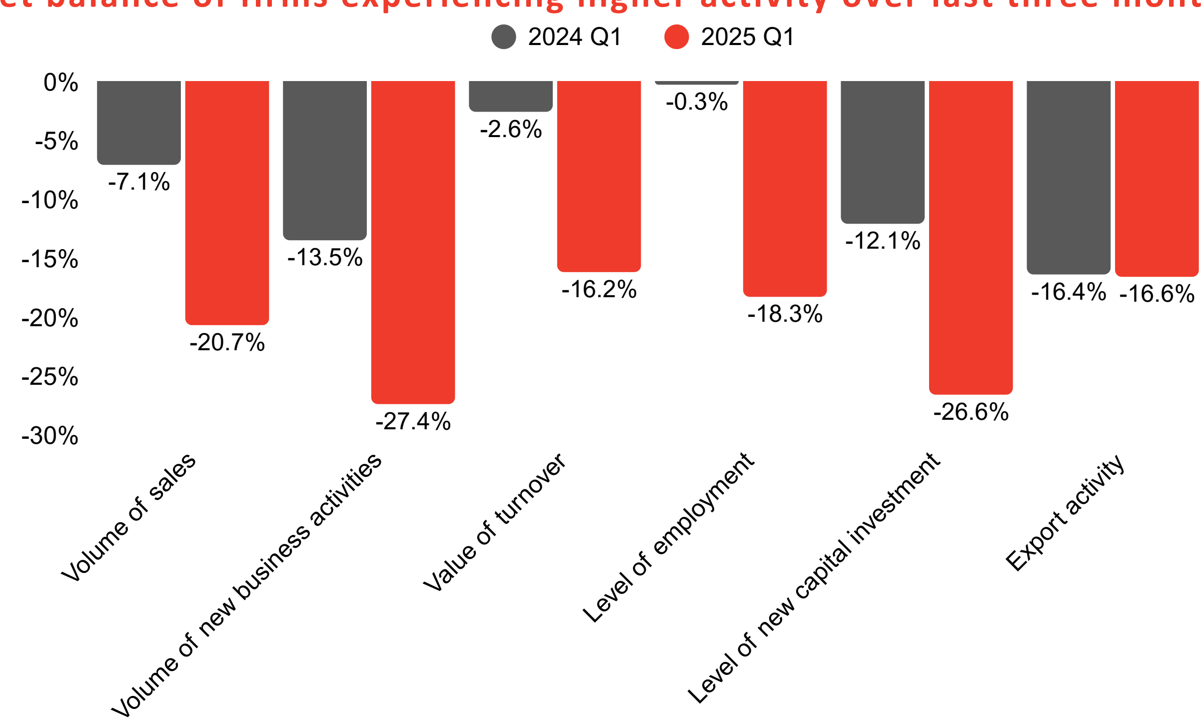


Business Environment Challenged by NICs Rises and Trade Concerns

The business environment has been challenged by a rise in the rate paid in employer National Insurance Contributions (NICs), which came into force in April, and by uncertain expectations of international trade.

Firms reported that they saw fewer sales, less turnover, and less export activity and capital investment in the first quarter of this year compared to the previous quarter.

Net balance of firms experiencing higher activity over last three months



Source: Scottish Business Monitor

While some of this decreased activity in the first quarter may be normal, the proportion of firms reporting reductions in these activities was greater than those from the first quarter of last year.

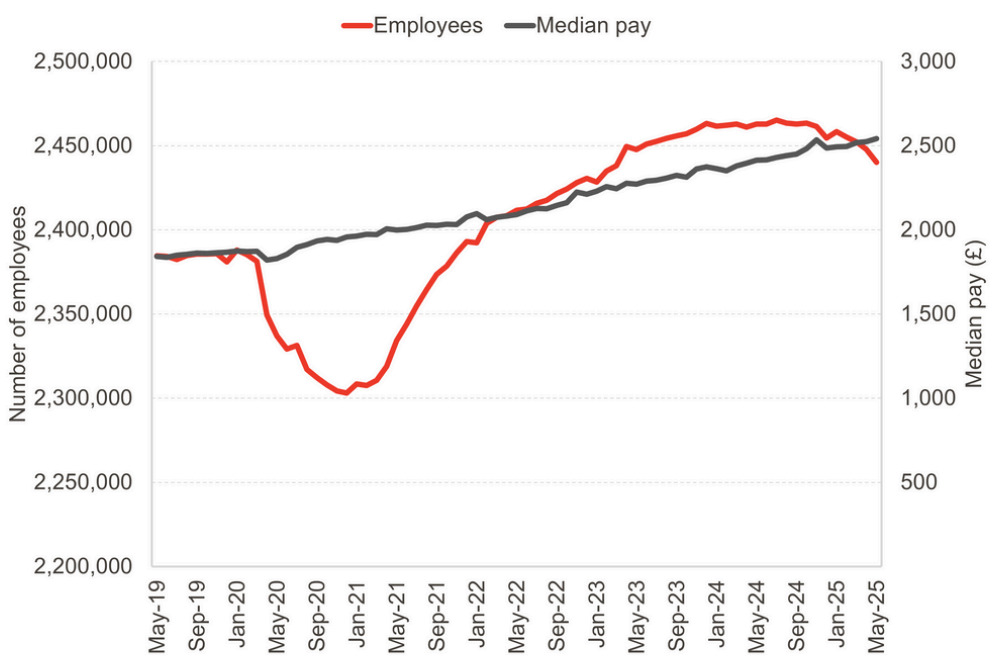
Source: Scottish Government, ONS, and FAI

LABOUR MARKET

The labour market has also seen a slow-down compared to this time last year.

There were 22,000 (0.9%) fewer employees in Scotland in May 2025 compared to May last year. This trend holds in all UK regions except Northern Ireland.

Employees and median pay

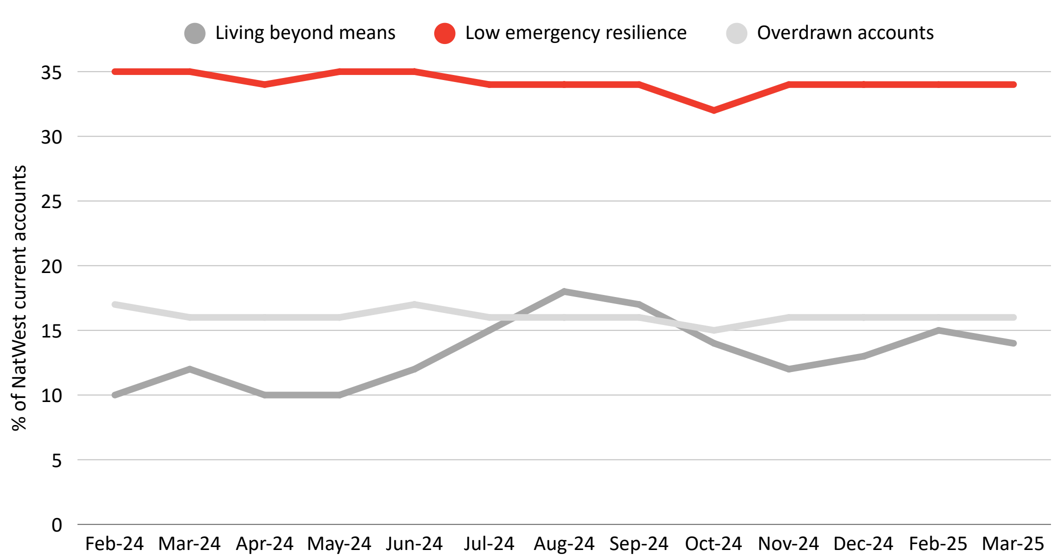


Within Scotland, only a few areas had more employees compared to a year ago. Scottish Borders had the largest fall in employees (960, or 2%).

Median pay grew 5.3% in nominal terms and about 1.3% in real terms in the last year, slightly lower than for the UK as a whole. This is based on the annual growth in median pay in May last year, which was 3%.

Some indicators of economic wellbeing held fairly steady through the year to March, although there was a small increase in the rate of people living beyond their means. These indicators are obtained from the Smart Data Foundry, which holds data on around 580,000 NatWest current account holders in Scotland.

Inflation & Bank Rate Forecasts



***Notes**: 'Living beyond means' is defined as debits exceeding 120% of credit; 'low emergency resilience' is defined as having two or more balance events below a threshold of £100; and 'overdrawn accounts' refers to having two or more negative balance events in a rolling five-week period. All indicators are measured as a proportion of current accounts in the data.*

Source: ONS and Smart Data Foundry

SOCIAL SECURITY

Universal Credit and Legacy Benefits in Scotland

Social security provides a key source of income for hundreds of thousands of families in Scotland and is a key part of understanding how Scotland's economy functions. Transfers from the government to households through social security are typically based on assessed need, even when not explicitly means-tested. They boost spending in the economy, and the level and conditionality of social security can also have implications for labour supply.

In the case of devolved benefits, the design of the social security system also has fiscal implications. Changes made by the UK Government affect the Scottish block grant. Meanwhile, higher spending on devolved benefits in Scotland means that the Scottish Government must either raise more tax revenue or have lower spending elsewhere.

This is the second part of our Economic Commentary series explaining different parts of the social security system in Scotland and monitoring changes over time. In the first part, we laid out how the number of people receiving disability and carer's benefits has changed over time and how much they cost. In this edition, we are looking at reserved benefits including Universal Credit and legacy benefits.

Reserved benefits are administered across England, Scotland, and Wales by the UK Government through the Department for Work and Pensions (DWP).

What are the legacy benefits in Scotland?

Universal Credit was designed to replace six other benefits, now called legacy benefits. The legacy benefits are:

- Housing Benefit
- Income-related Employment and Support Allowance (ESA)
- Income-based Jobseeker's Allowance (JSA)
- Income Support

Contribution-based ESA and JSA, however, will remain alongside Universal Credit. Legacy benefits also include Working Tax Credit and Child Tax Credit, which are administered by HMRC and reported by family (and thus are not comparable to data for other benefits).

How have people transitioned from legacy benefits to Universal Credit?

Universal Credit rollout started in 2013. From 2018, all new claims for these types of benefits are for Universal Credit. However, there are still a number of legacy benefit clients who have not yet migrated to Universal Credit. The timeline for completing "managed migration" has been extended to March 2026. As of 6th April 2025, no one is receiving tax credits in Scotland.

It is generally useful to discuss overall trends in benefit receipt by looking at the total number of people receiving Universal Credit or a legacy benefit rather than looking at them individually. This is both due to the transition onto Universal Credit and the fact that some people may receive multiple benefits.

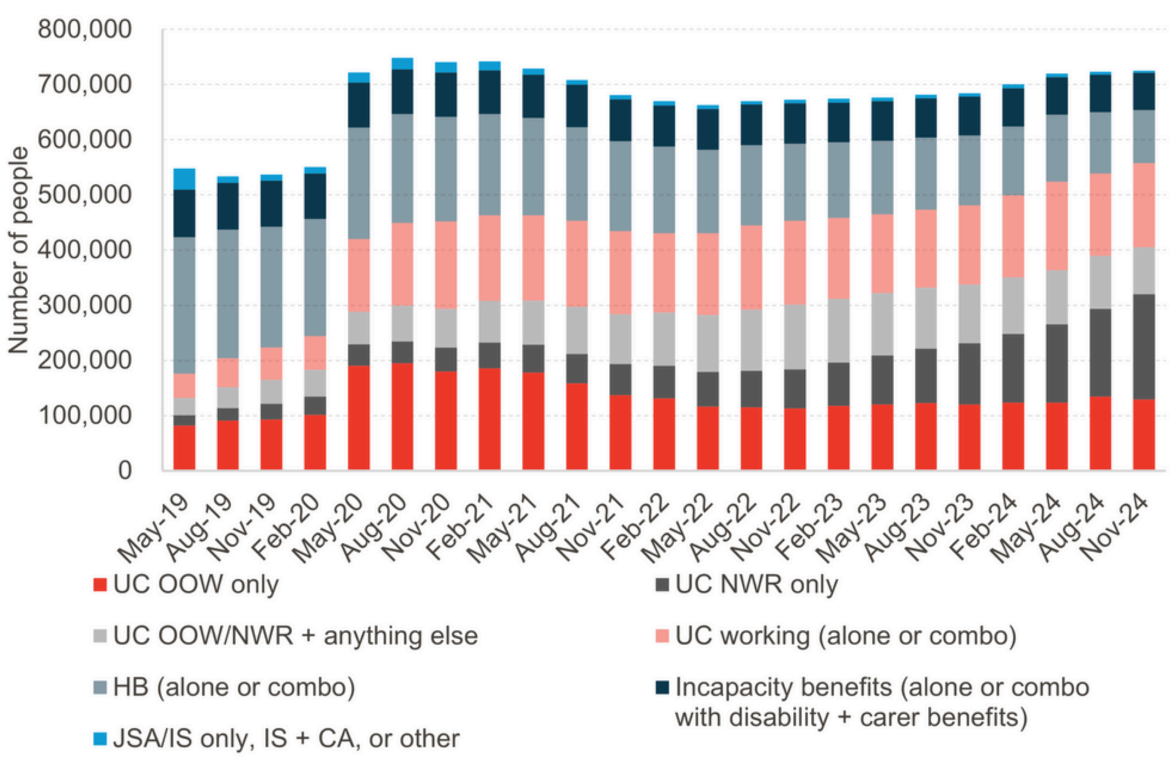
SOCIAL SECURITY

Who receives Universal Credit and legacy benefits in Scotland?

The latest data shows that in November 2024, over 720,000 working-age people in Scotland claimed some combination of working-age benefits like Universal Credit and legacy benefits.

There was a large jump in working-age claims at the start of the Covid-19 pandemic, peaking at nearly 750,000 recipients as of August 2020. This was driven by a combination of factors, including a greater number of people out of work, reduced income from work, and an uplift of £20 per week to Universal Credit amounts. The uplift made more people eligible for Universal Credit in addition to raising incentives for people who were already eligible to claim their entitlement.

Recipients of selected benefits



Notes: OOW = out of work; NWR = no work requirements; IS = Income Support, JSA = Jobseeker's Allowance. UC OOW includes people designated as Searching, Planning, or Preparing for Work. People receiving only PIP, DLA, or carer's allowance (or combination of these only) are omitted. Incapacity benefits include Employment and Support Allowance, Incapacity Benefit, Severe Disablement Allowance or Income Support on the basis of incapacity. The figure excludes tax credits.

Numbers declined after the lockdowns ended, but started to rise again as the cost-of-living crisis eroded households' purchasing power.

The rise in Universal Credit clients with no work requirements may also be driven by some similar factors to those responsible for the rise in disability and carers' benefits we discussed in the last Commentary, since having a disability or caring responsibilities are two of the exceptions for work requirements.

Source: StatXplore

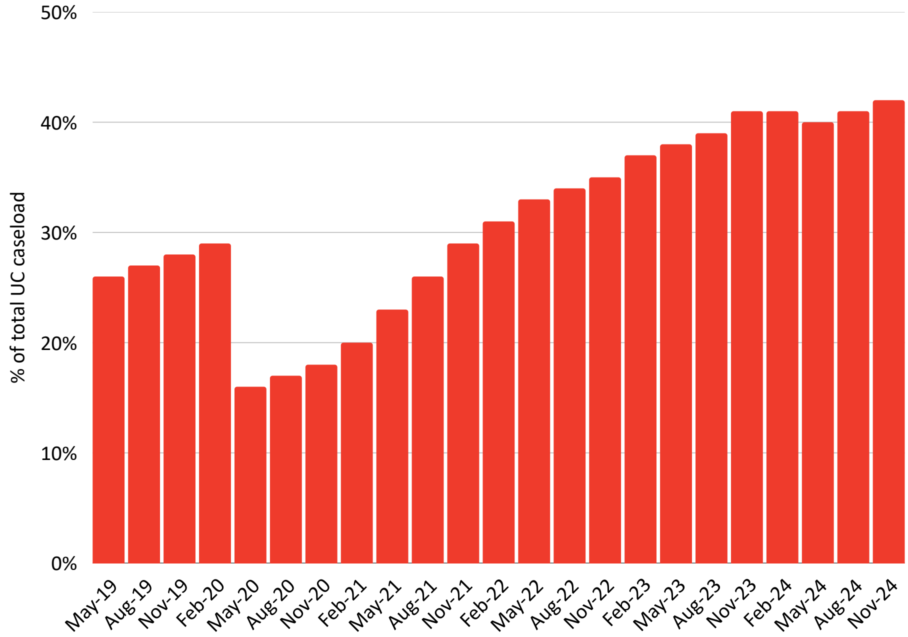
SOCIAL SECURITY

How do health and disability contribute?

The role played by disability and health is further borne out by the rise in the health element caseload relative to the total Universal Credit caseload. Those receiving the health element of Universal Credit have undergone the Work Capability Assessment (WCA) and have been deemed to have a restricted ability to work.

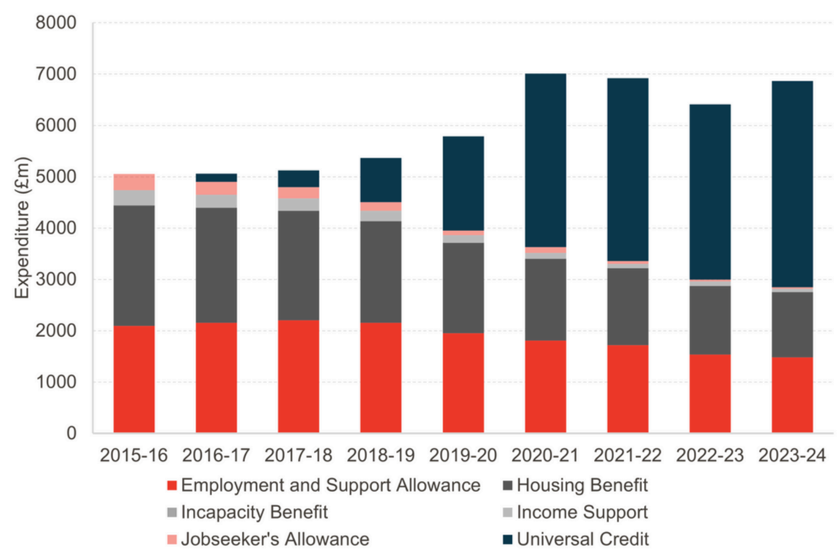
Proposed reforms to disability reforms include removing the Work Capability Assessment (WCA) and replacing it with the assessment for Personal Independence Payment (PIP). PIP has been replaced with the devolved benefit Adult Disability Payment (ADP) in Scotland, and it remains unclear how the removal of the WCA will affect Universal Credit claimants in Scotland.

Universal Credit recipients claiming health element



Notes: Includes pre-WCA claimants with a live fit note.

Spending on selected reserved benefits



Notes: Excludes tax credits. UC spending before 2019/20 is calculated by multiplying households receiving UC by the mean award and summing over the year; spending for 2019/20 on is taken from published DWP statistics.

How much is spent on these benefits in Scotland?

Total reserved social security spending in Scotland has fallen from a real-terms peak of £20 billion in 2012/13 to £18.8 billion in 2023/24 (2024/25 prices, DWP). This is partially due to greater devolution of benefits, particularly of PIP/ADP.

State Pension accounts for £10.8 billion (57%) of reserved social security expenditure in Scotland excluding tax credits (DWP). The chart above shows a breakdown of spending on key working-age benefits including Universal Credit.

Spending on legacy benefits has declined as they are replaced by Universal Credit. However, total spending on Universal Credit and legacy benefits remains around £1 billion higher in real terms than pre-pandemic expenditure. This seems to be largely driven by a higher caseload rather than an increase in the average award per client.

Source: StatXplore and DWP

Spending Review Reaction: Back on the Fiscal Rollercoaster

On 11 June, Rachel Reeves announced the outcome of the Spending Review for both resource and capital budgets across departments and devolved administrations.

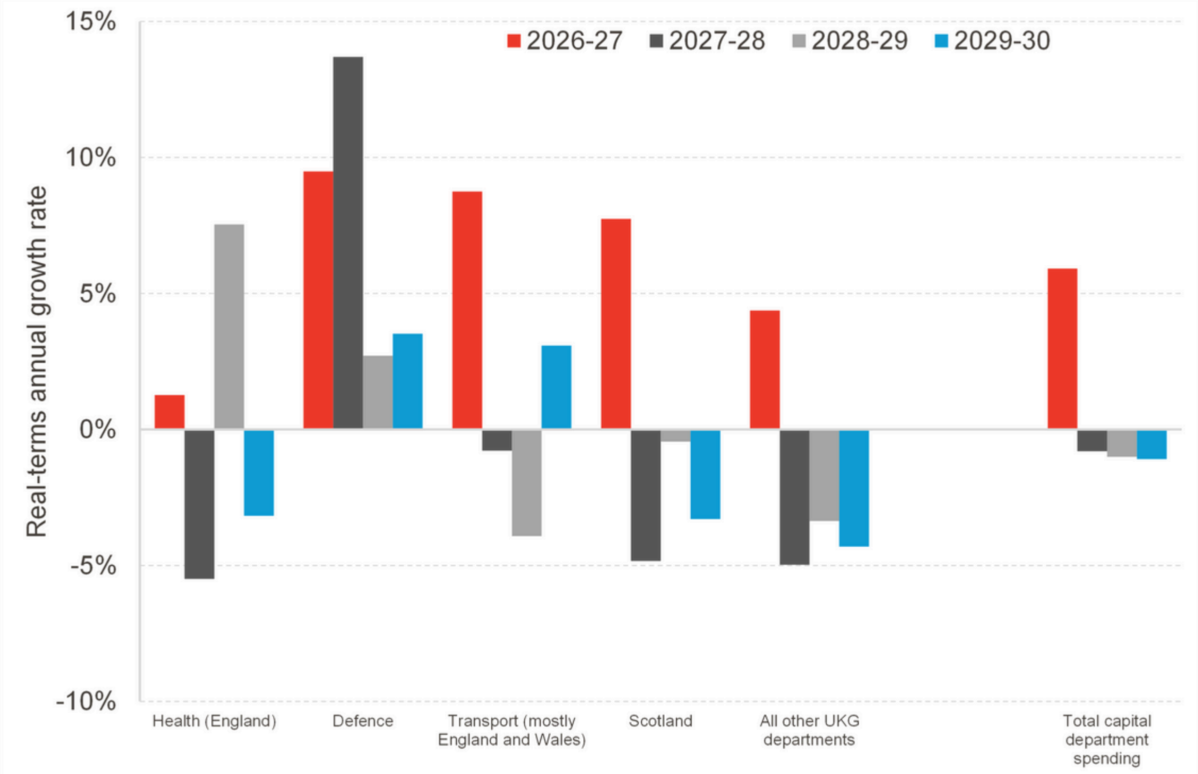
Although the speech itself was full of detail about many capital projects, the proof of what decisions mean for public services is often found in the detail. As we discussed last month, spending reviews tend to be big processes across departments, but don't necessarily set the stance of fiscal policy. This Spending Review nearly fully stuck to the totals set out in March.

A rollercoaster ride

The envelope promised to be a reversal of Robert Chote's 2015 quip about a 'rollercoaster ride': largesse in the short-run, followed by pretty steep subsequent cuts in real (and in some cases cash) terms in future years.

That has proved to be the case not just for day-to-day spending, but also for capital budgets. If we exclude financial transactions – which are lending to the private sector rather than capital investment by the government – the profile of capital spending has been brought forward even further. We are now looking at a one-off boost to investment budgets of 6% in real-terms next year, followed by subsequent decreases in following years.

Annual real-terms growth in capital budgets



The figures only get starker once we take into account that so much of the boost to investment is on defence. Non-defence capital spending falls by -0.9% a year in real terms going forward, meaning it's nearly 4% lower by 2029-30 than this year.

Source: HM Treasury, FAI analysis

This pattern is broadly reflected in the Barnett consequentials for Scotland. The Scottish capital block grant increases by £0.6 billion (7.7% in real terms) next year, but then falls back to below 2025-26 levels by the end of the decade.

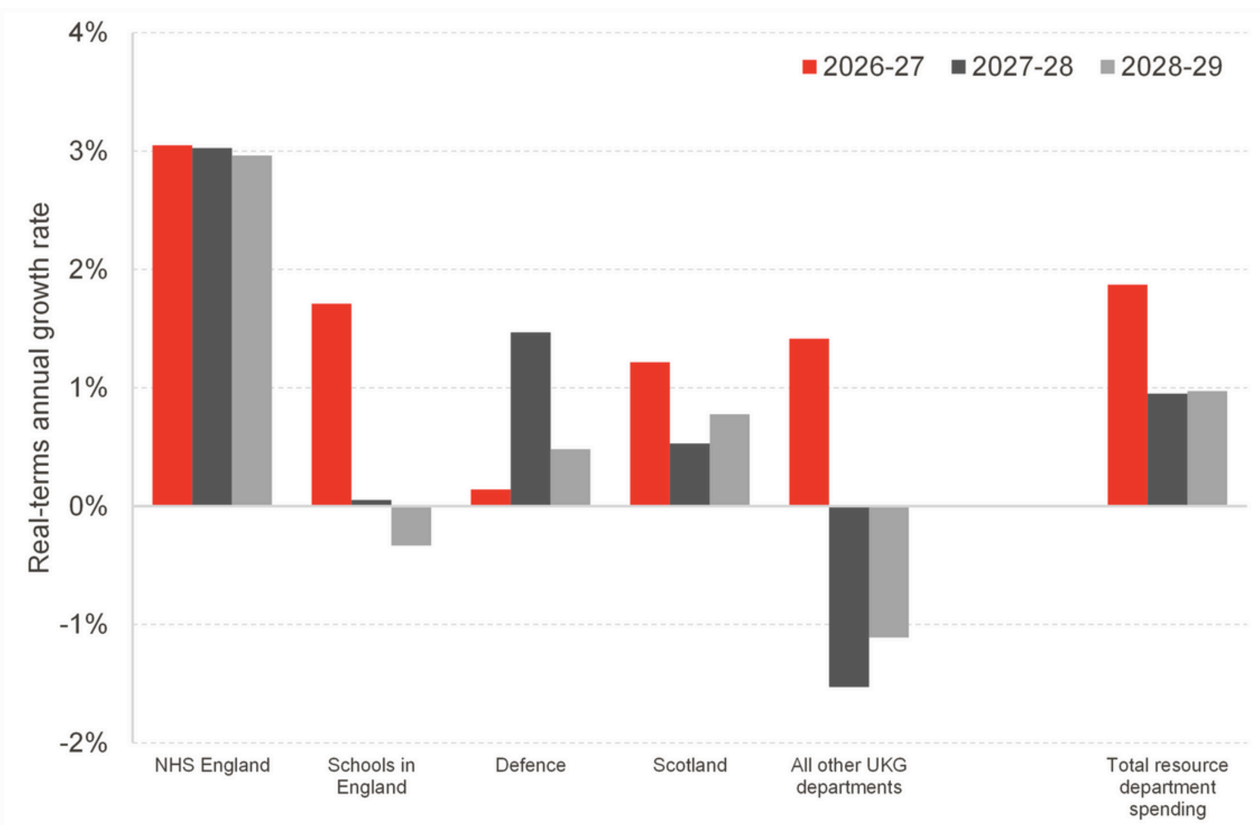
One big risk to this plan is whether capacity is available to deliver all these capital projects at once. Major projects already have a habit of seeing larger cost increases than foreseen, and bringing so much capital spending forward could cause prices of inputs and labour to increase to eat up the additional budget – something to keep an eye out for in the coming months.

The pattern is similar on day-to-day spending, though less dramatic

Here, too, the pattern is for bigger spending increases in the short run. The big exception is the NHS in England, which sees a nearly flat 3% boost in real terms, and which generates significant Barnett consequentials. Budgets other than health, schools and defence see a relatively healthy 1.4% increase next year, but this is followed by 1.5% and 1.1% falls in each subsequent year. Their budgets are 1.2% lower in real terms by 2028-29 than this year.

The UK Government will no doubt argue that its efficiency drive will make it possible to do this while not cutting services, but we'll reserve judgement on that. Similar initiatives in the past have had disappointing results; this one may well succeed, but it will have to buck the trend of history to do so, which would be no mean feat.

Annual real-terms growth in resource budgets



Source: HM Treasury, FAI analysis

Source: HM Treasury, FAI analysis

UK SPENDING REVIEW

A stooshie about what the Spending Review meant for Scotland

One of the roles we play after a big fiscal announcements is to explain all the numbers flying about from different politicians – to set out which numbers are illuminating, and which are misleading. Often the biggest culprit is large numbers which represent spending over several years.

This spending review was sadly no exception to this, and no political side covered themselves in glory – transparency and public understanding were the real losers. And as usual, we lost count of the number of times we said “two things can be true at once”.
The table below shows the real numbers of interest for the Block Grant. These are compared with the forecasts that the Scottish Fiscal Commission released on 29 May.

Block Grants after the Spending Review vs. SFC forecasts

Block grant (£bn)	2025-26	2026-27	2027-28	2028-29	2029-30
Resource					
SR 2025 allocation	41.5	42.7	43.8	45	
SFC forecast (May 2025)	41.6	42.9	44.3	45.6	
Difference	-0.1	-0.2	-0.5	-0.6	
Capital					
SR 2025 allocation	6.3	6.9	6.7	6.8	6.7
SFC forecast (May 2025)	6.3	6.6	7	7	7.1
Difference	0	0.3	-0.3	-0.2	-0.4
FTs					
SR 2025 allocation	0.2	0.2	0.3	0.3	0.4
SFC forecast (May 2025)	0.2	0.2	0.2	0.2	0.2
Difference	0	0	0.1	0.1	0.2

Source: HM Treasury, FAI analysis

There are many sensible ways to describe these numbers. Broadly, all the following are true and accurately represent the size and profile of the Block Grant:

- The Scottish Block Grant is increasing by £4 billion over the three years of the spending review period, reaching £52 billion by the end of the period;
- This is an 8.3% increase in cash terms, and around 2.7% in real terms over three years;
- This is the equivalent of 0.8% annual average real terms growth in the Block Grant;
- Resource spending is increasing by over £1 billion in each year of the SR period;
- Capital spending increases by £0.6 billion in 2026-27 but is roughly flat in cash terms in the subsequent two years, which means a real terms cut in the latter half of the spending review period.

It is disappointing to see some of the ways that the Treasury chose to portray the increase in funding through the Block Grant in its press release:

"The Scottish Government will receive the largest real terms settlement since devolution began in 1998, with an average £50.9 billion per year between 2026-27 and 2028-29, enabling the Scottish Government to deliver for working people in Scotland. This includes £2.9 billion per year on average through the operation of the Barnett formula, with £2.4 billion resource between 2026-27 and 2028-29 and £510 million capital between 2026-27 and 2029-30."

If we take these in turn:

- Every year the Block Grant is likely to be the largest settlement since devolution, even in real terms (see our blog on the previous iteration of this inane debate). The short version is that comparing the Block Grant with its own size over the past quarter of a century tells us very little about how resources are prioritised. GDP has grown a lot in real terms since then, and so has government spending overall. Presenting the Block Grant as a share of GDP or share of departmental spending is a much more meaningful presentation.
- The £50.9 billion number is an average across three years, which is a strange way of presenting this – forecasters such as the OBR and SFC tend to focus on the steady-state point at the end of the period, for good reason.
- The £2.9 billion (we think) takes the Block Grant in 2025-26, compares that to the three years 2026-27, 2027-28, 2028-29, adds this up, and then averages it out, and so suffers from the same issue as the previous statement.

While these are numbers aren't great exemplars of insight, they still tell us broadly what is going on. The same cannot be said about the £9.1 billion of 'additional' funding for the Scottish Government that we heard claimed in the media. This takes the Block Grant in 2025-26, compares that to the three years 2026-27, 2027-28, 2028-29, adds these three figures together, and then also adds in the capital uplift in 2029-30 compared to 25-26.

It's not that the numbers don't add up to £9.1 billion or that the £9.1 billion won't be transferred into the Block Grant. It's that no one could credibly claim that the Scottish Block Grant would have stayed at £48.1 billion for three years in the absence of changes in the Spending Review. The DEL figures were clear for everyone to see in the Spring Statement – so it's not 'additional' in any meaningful sense of the word.

We understand that politicians will want to use numbers which illustrate a political point – that is their right, and we are here to point out when a partial picture is being described. But it is harder to understand why confusing or non-meaningful claims are made when there are plenty of sensible numbers that could make the same point.

Has Scotland been short-changed?

The claim from the Scottish Government, on the other hand, is that 'Scotland has been short-changed by more than a billion pounds', although it's unclear how this figure was arrived at – even if one accepted the premise that it's on the basis of what average growth is for UK Government departments.

But the premise itself is deeply problematic. For one, comparing the Scottish Block Grant to overall RDEL and CDEL is not meaningful in any sense, because total departmental spending includes many areas for which there are no equivalent devolved competencies. Some of those, such as defence, have seen some of the largest increases. It's not like money has been moved geographically from Scotland to England – instead, more money has been allocated to reserved areas, which cover both Scotland and the rest of the UK.

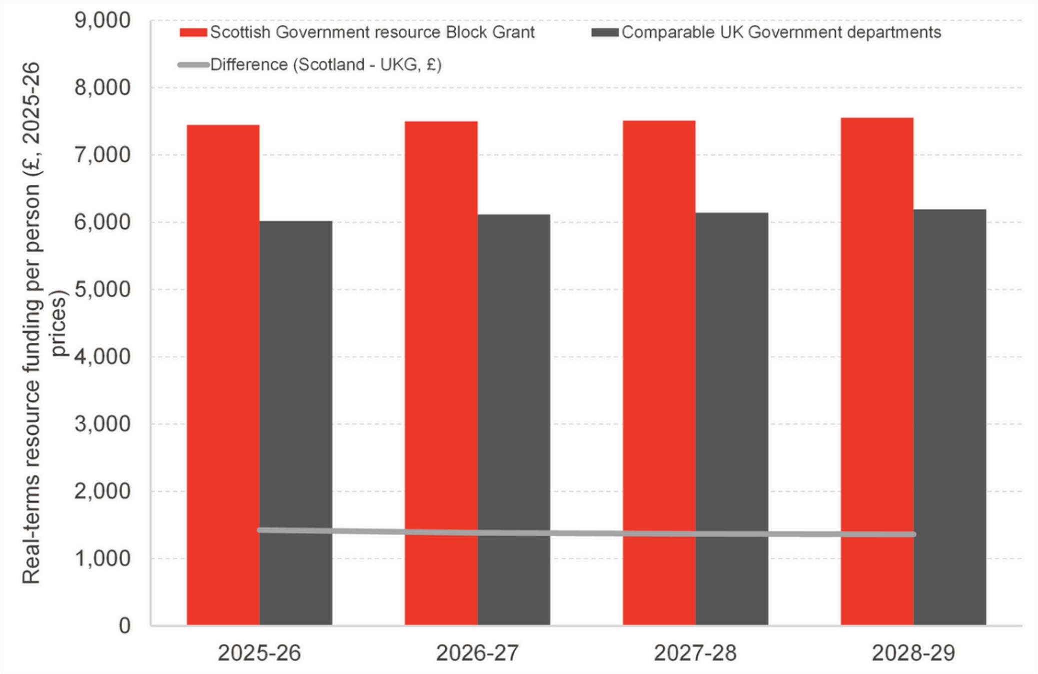
A much more representative – although harder, as we can tell you from experience– is to look at how the Scottish Block grant compares with UK Government departments that have similar responsibilities on a per person basis.

Both factors are important. For one, only about 70% of UK Government departments' spending has devolved counterparts. But because Scotland's population is only forecast to grow by 1.3% by the end of the decade – half the rate of population growth in England and two-thirds the rate in Wales – just looking at totals can be misleading.

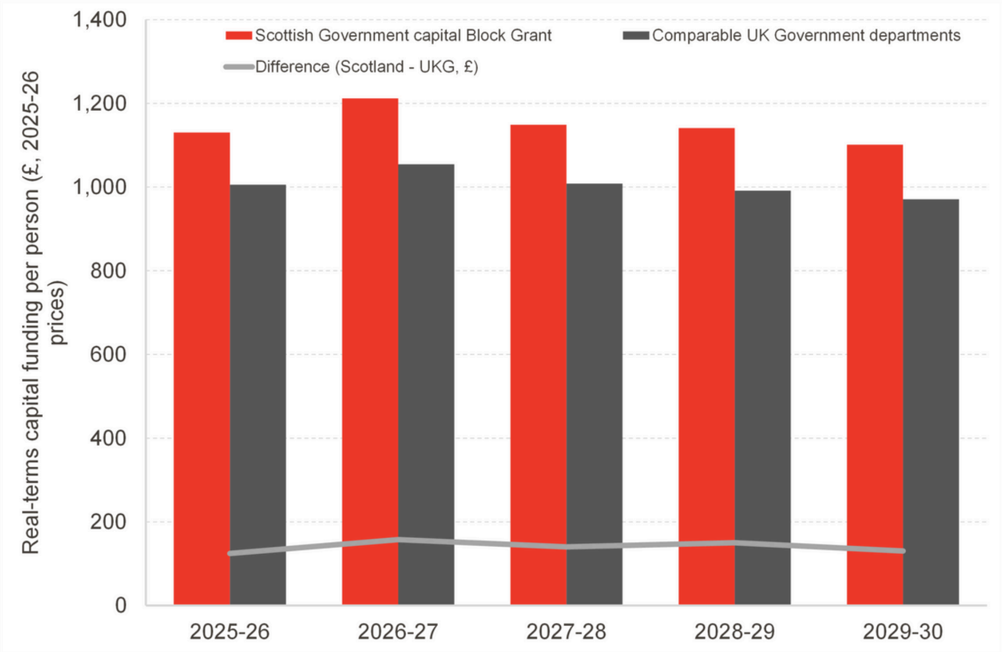
On the resource spending side, the picture is much as you would expect from the principles of the Barnett formula. Scotland's Block grant started the period around £1,430 larger than the funding for comparable UK Government departments, and that difference is almost exactly preserved in cash terms. That is what the Barnett formula is designed to do – take the cash differences in spending to begin with and provide a similar addition in funds per person as that for UK Government departments.

The picture is similar on capital, with a little more movement due to the timing of projected population changes interacting with the profile of capital spending and the fact that static population shares are used for the SR period.

Real-terms resource funding per person



Real-terms capital funding per person



Looking at this, you'd be hard pressed to say that Scotland has been treated any differently than UK Government departments with comparable responsibilities, save for the fact that its funding remains higher by around £1,500 per person across resource and capital.

Over time – all else equal – we would expect the percentage difference between the per person levels of the Scottish Block Grant and equivalent UK Government departments to shrink, a process known as 'Barnett convergence.' Again, this is by design of the formula, and happens very gradually if at all – it has barely changed since the early 1990s apart from small movements. This is largely because population growth in England has been much faster than in Scotland.

Source: HM Treasury, ONS, National Records of Scotland, FAI analysis

Additional per-person funding as a share of comparable UK Government departments

There is a bit of forecast Barnett convergence throughout the SR period, though not that significant. As chart 3 shows, resource funding in the Scottish Block Grant will be 22% higher than funding for UK Government departments with comparable responsibilities; the respective figure for capital funding is 13%.

Source: HM Treasury, ONS, National Records of Scotland, FAI analysis

MEDIUM-TERM FINANCIAL STRATEGY

Last week, the Government published the Medium-Term Financial Strategy and the Fiscal Sustainability Delivery Plan. The two documents together run over 140 pages, so there was quite a lot to digest.

The MTFS aims to focus on the longer-term sustainability of Scotland's public finances and support a strategic approach to financial planning. The publication of this document alongside the spring forecast is supposed to support the year-round budgeting process in Holyrood, allowing the pre-budget scrutiny of committees in the summer and autumn to be based on up to date and meaningful information.

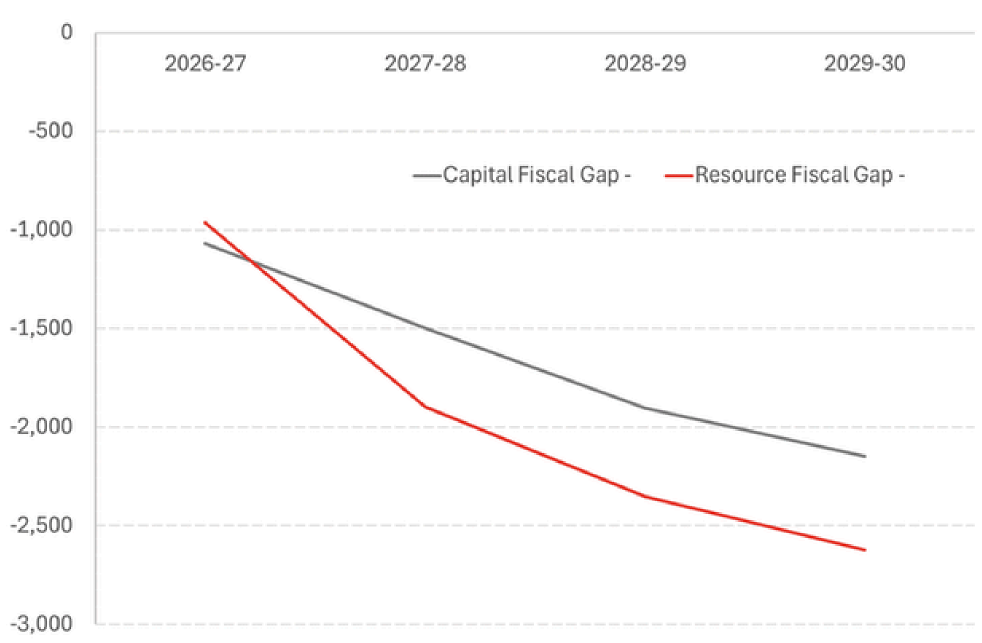
However, the MTFS editions to date have not really been successful in achieving these aims. The previous editions appeared to be a strategic document, but in the past has more often than not felt like a political statement, more aimed at managing expectations of what might be funded than in setting out a credible central scenario. One of our criticisms in the past has been that we are not sure how the projections in the document of what might be required for spending were arrived at.

This criticism has been remedied in the version of the document that was published this week. There is detail about how the projected spending has been calculated, which we welcome.

There is also a clear strategy that the government want to pursue to deal with funding challenges, along with actions that the government want to take to achieve those aims (contained in linked strategies such as the PSR plan that we discussed last week, and the accompanying Fiscal Sustainability Delivery Plan).

So, overall, it does a better job than previous editions in setting the context for the year-round budgeting process. However, that progress was undermined slightly by releasing it in the last week of term.

Resource and capital fiscal gaps



Headlines from MTFS

Overall, the MTFS presents the funding outlook (i.e. the money the government will have to spend, which is mostly determined by the SR at the UK level and SFC forecasts of other revenues) and compares it with the spending the government thinks it will require. This results in "fiscal gaps" for both resource and capital spending.

Source: Scottish Government

MEDIUM-TERM FINANCIAL STRATEGY

Both the capital and resource gaps are projected to grow to over £2 billion by 2029-30 (although remember the capital budget will be around £7bn by 2029-30 compared to the resource budget's £45bn so the SG is saying that the gap on the capital side is proportionately much bigger).

The outlook for resource spending was projected using various assumptions. It's worth saying at the outset that no area of spending is assumed to fall in real terms – all areas are presumed to grow in line with inflation, except those areas which are likely to grow more than that, such as:

- NHS spending, which is assumed to grow at over 4% a year, as it has for the last few years;
- Social Security spending, which is taking up an increasing proportion of the budget, as both devolved benefits become relatively more generous and
- Pay, which is assumed to grow in line with agreed pay deals or, if none currently agreed, in line with the public sector pay policy
- Local government, which is decomposed into social care related expenditure (grown in line with other health spending), pay (grown in line with pay policy) and other spending (grown with inflation).

Obviously, pay cuts across the NHS and local government, and overall accounts for 55% of the resource budget in the current year.

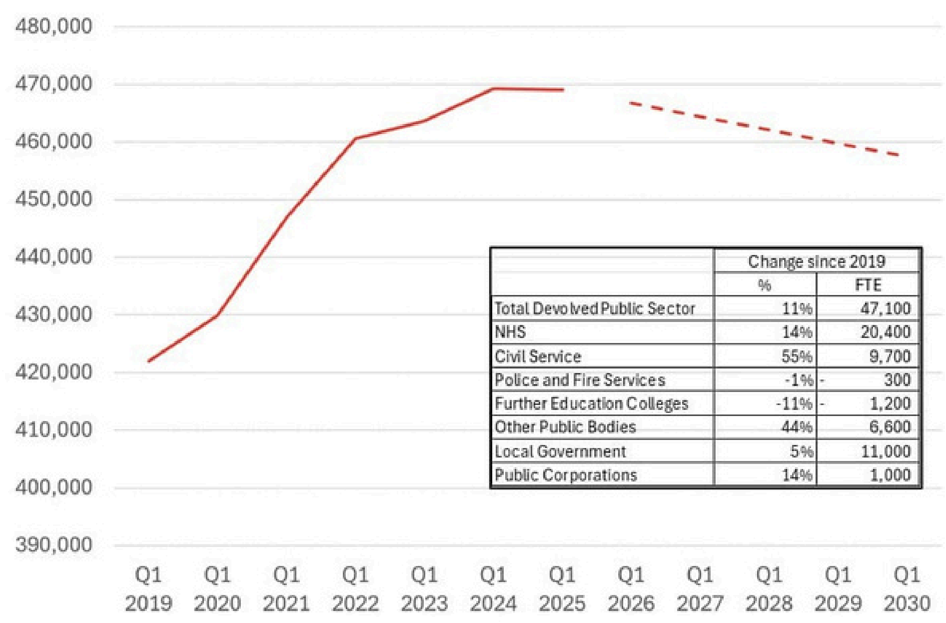
All of this detail is welcome, but we would encourage the government to publish the full decomposition of the spending assumptions so they can be further scrutinised. The detail given, though, will allow us to build this decomposition, which we will do over the next few weeks.

What did the Fiscal Sustainability Delivery Plan give us?

The Fiscal Sustainability Delivery Plan set out how some of these challenges were going to be tackled, although there was lots of cross-referencing to previous strategies, such as the public sector reform plan and the NHS Improvement Plan.

One of the most eye-catching commitments was on workforce. The SG has committed to reduce the FTE of the devolved public sector workforce by 0.5 % "on average per annum over the next five years, as part of a shift in workforce plans and operating models because of service re-design, automation, process improvement, re-prioritisation, mergers, and shrinking corporate functions. Frontline services will remain protected as this is taken forward."

Devolved public sector FTE employment



	Change since 2019	
	%	FTE
Total Devolved Public Sector	11%	47,100
NHS	14%	20,400
Civil Service	55%	9,700
Police and Fire Services	-1%	- 300
Further Education Colleges	-11%	- 1,200
Other Public Bodies	44%	6,600
Local Government	5%	11,000
Public Corporations	14%	1,000

Source: Scottish Government

MEDIUM-TERM FINANCIAL STRATEGY

A 0.5% reduction in FTE does not undo the increases that have been seen in the devolved public sector since 2019. And while some of that is due to (e.g.) increased social security powers (which will account for approximately 4,000 of the increase in "civil service" (we assume), that does not account for the vast majority of it. 20 thousand more FTE employees - almost half of the 47 thousand increase - are in the NHS.

There are also other actions on efficiencies set out, such as:

- Wider public sector efficiencies and productivity, reform, and revenue raising, with savings growing from £0.6 billion to £1.5 billion per annum over the five years;
- Increasing public value, to be set out in the Scottish Spending Review, with a savings target of between £0.3 billion and £0.7 billion per annum over the five years.

We presume that the first of these is related to the £1billion target set by the PSR plan last week to reduce corporate costs, but it isn't entirely clear. There are also other commitments in the document, like delivering NHS Board 3% recurring savings against core funding, supported by a continuous programme of efficiency and productivity opportunities, and enabled by reform. We're not clear if this is included in the savings above, an additional saving, or money that will be recycled into other parts of the health and care system. The actual amount this represents is not published.

The detail of these plans is useful to see, although it would be good to see more clarity about how the commitments in the different plans relate to each other. We are not convinced that this needs to be a sperate document, though, and perhaps could be wrapped in with the MTFS in future.

Other stuff in the MTFS annexes

The Scottish Government published the framework for the Scottish Spending Review, which sets out the table for determining the allocations that will be published as part of the Scottish Budget in December.

They have said:
"These conclusions will supplement the annual budget and we intend to set out the Scottish Government's indicative spending plans for 2027-28 and 2028-29 for resource, with an additional year (2029-30) for capital. We will confirm the exact timeframe covered in due course."

The timetable includes a period of stakeholder engagement up to September, which will no doubt be a busy time for organisations to make the case about which services should be prioritised by the government in their decisions in December.

There is also an Annex with information about workforce and pay bill, which the government are committing to publishing on a regular basis. This is a really positive development and we look forward to these being regularly released as statistics.