

The 2026 Scottish election: do the promises and plans add up?

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Agenda

- › 15.15: Introductory remarks
- › 15.25: The fiscal outlook for the coming Scottish Parliament
- › 15.45: Tax and spending policy
- › 16.00: Q&A
- › 16.45: Event finishes and drinks reception at the Storytelling Court
- › 17.45: Finish

Introductory remarks

Mairi Spowage



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The fiscal outlook for the coming Scottish Parliament

João Sousa



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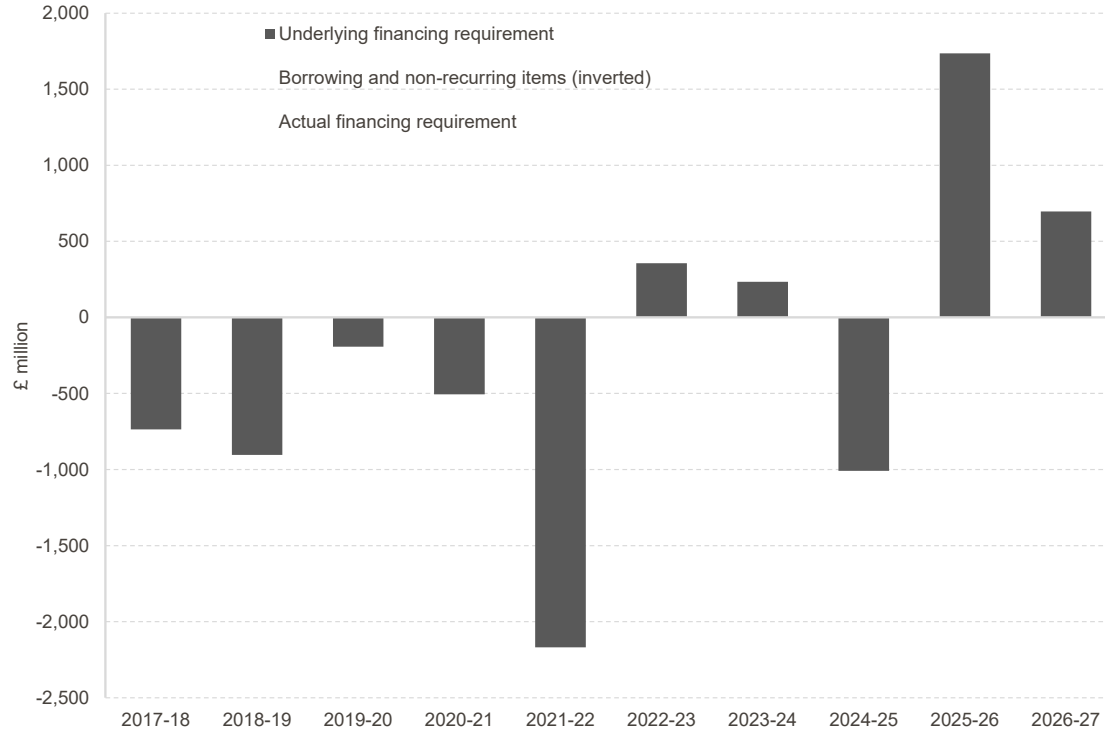


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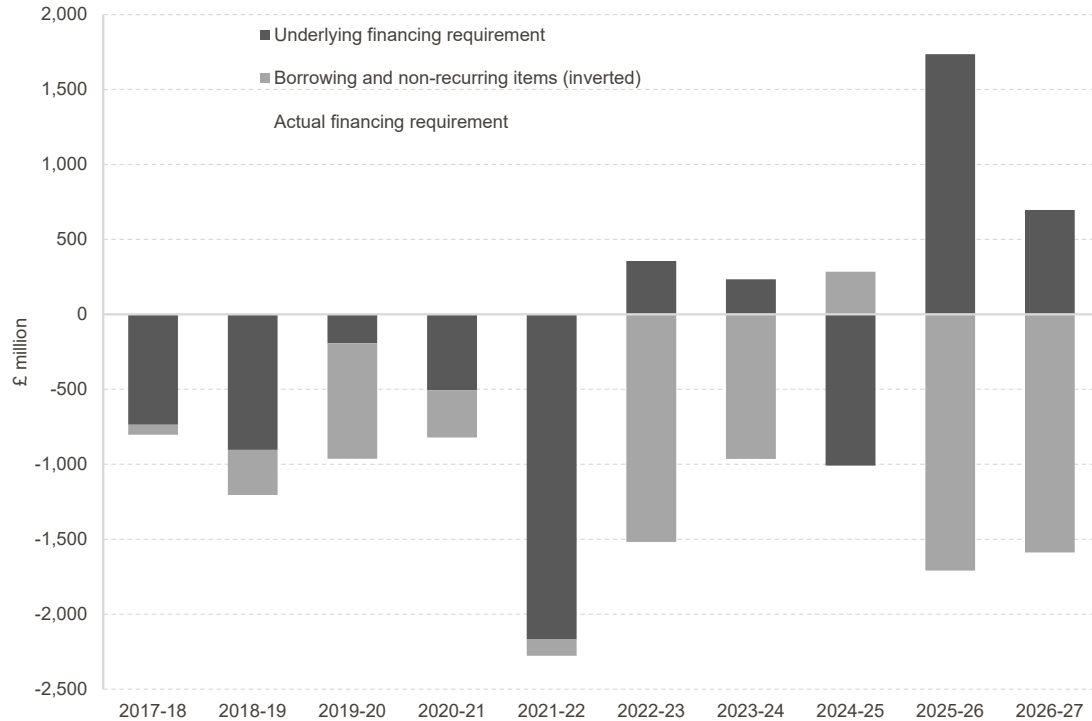
TL;DR: An underlying deficit financed by one-off pots of money



Source: SFC, Scottish Government, FAI analysis



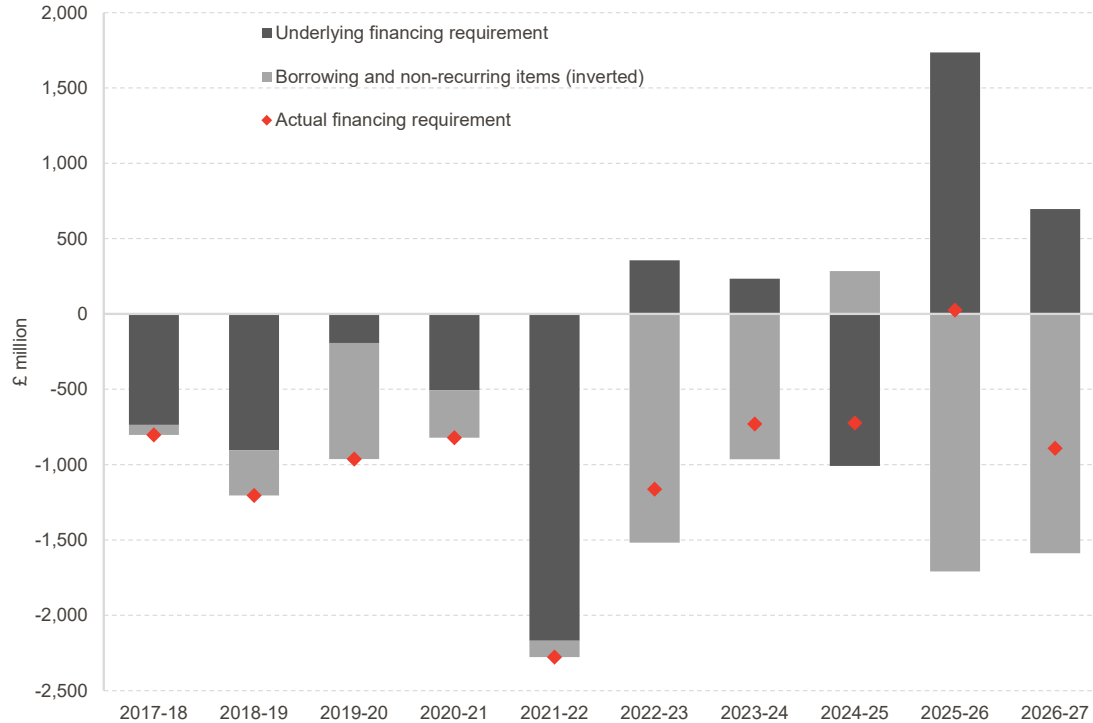
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- › After years of running a small underspend (and a large, understandable underspend during Covid), the Scottish Government has seen a widening deficit
- › Since 2019-20 (and abstracting from the jump in spending during the pandemic), spending has been growing in nominal terms at 7.9% a year, compared with underlying funding growth of 7.6% a year
 - Of course nominal figures are not that meaningful in and of themselves, but budgets have to be balanced in nominal terms, and the faster growth in spending compared to funding is the main issue
- › Real-terms growth has still been strong
 - 3.9% a year in spending, 3.6% in funding
 - Same story even if different magnitudes
 - Spending has grown significantly faster than overall UK public spending (3.0% a year in the same period)



What areas have contributed the most to this growth?

Annual average real spending growth	3.9%
<i>Contributions:</i>	

Source: SFC, Scottish Government, OBR, FAI analysis



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Annual average real spending growth	3.9%
<i>Contributions:</i>	
Social security	1.8%
Health	0.8%
Local Government general grants	0.1%
Justice and Home Affairs	0.2%
Transport	0.3%
Others	0.6%

Source: SFC, Scottish Government, OBR, FAI analysis



This is of course only one way to look at this

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 - This has been the case in every year since 2022



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- › One of the areas which caused the Scottish Government great difficulty in the past session has been public sector pay
- › Even in years when it has laid out its pay policy, the Scottish Government has failed to stick to its pay policy
 - This has been the case in every year since 2022
- › The Scottish Government has also consolidated pay deals even when the Barnett consequentials generated from pay deals were for one-off payments, therefore increase the pay mass in perpetuity



Public sector pay looks set to cause issues for the next Parliament

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- › This matters because around half of the Scottish Government's spending goes on pay
- › The Scottish Government has a Fiscal Sustainability Delivery Plan, which is predicated on a 0.5% fall in public sector employment each year
 - But that is based on natural attrition – so jobs unfilled might not be the ones that need eliminated
 - And even then, the efficiency assumptions to make the numbers add up look much too optimistic



What is the fiscal outlook for the next session?

Day-to-day spending, £ million	2025-26	2026-27	2027-28	2028-29	Real AAGR
Spending					
MTFS plans	52,623	54,938	57,132	59,453	2.2%
Current plans	52,041	53,943	55,259	56,833	1.0%
Funding					
MTFS plans	52,623	53,975	55,235	57,100	0.8%
Current plans	52,340	54,651	55,433	57,363	1.1%
Net position					
MTFS plans	0	-963	-1,897	-2,353	
Current plans	299	707	174	530	
Changes since MTFS					
Spending	-582	-995	-1,873	-2,620	
Funding	-283	676	198	263	
Net position	299	1,671	2,071	2,883	

Source: SFC, Scottish Government, OBR, FAI analysis



What is the fiscal outlook for the next session?

Capital spending, £ million	2025-26	2026-27	2027-28	2028-29	2029-30	Real AAGR
Spending						
MTFS plans	7,230	8,180	8,501	8,962	9,213	4.2%
Current plans	7,029	7,324	7,296	7,255	7,249	-1.1%
Funding						
MTFS plans	7,230	7,109	7,004	7,059	7,067	-2.5%
Current plans	7,029	7,323	7,296	7,255	7,249	-1.1%
Net position						
MTFS plans	0	-1,071	-1,497	-1,903	-2,146	
Current plans	0	0	0	0	0	
Changes since MTFS						
Spending	-201	-856	-1,205	-1,707	-1,964	
Funding	-201	214	292	196	182	
Net position	0	1,071	1,497	1,903	2,146	

Source: SFC, Scottish Government, OBR, FAI analysis



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- › And with little recognition of the trade-offs that will be part of living within funding that is growing at only 1% a year in real terms on the day-to-day side



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- › The workforce plans and assumptions on efficiencies underpinning this look too optimistic still
- › On capital, the Investment Delivery Plan and the limits did at least set out more detail about the projects that would be cancelled



Several unexploded traps for the upcoming government remain

- › What's the plan on the public sector paybill?
- › Assumptions on public sector efficiency can only paper over choices for so long
 - Scotland can have higher spending or lower taxes, but probably not both in this fiscal environment
 - And promises to protect 'frontline services' seem unrealistic – something will have to give
- › Social security spending is forecast to be £1.2 billion higher than the BGAs by the end of the Parliament, between higher spending on benefits with BGAs and those without equivalent in the rest of the UK
- › Some of the portfolio settlements look incredibly tight by historical standards:
 - Health, in particular in 2026-27
 - Justice and Home Affairs on both resource and capital, especially given the prison crisis and the courts backlog
 - Finance and Local government is falling in real terms across the period

Tax and spending plans: what are the parties pledging?

Ciara Crummey



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Background

- › Scotland's budget is already under significant structural pressure
- › Whatever party or combination of parties forms the next government will face a genuinely difficult fiscal inheritance
- › Against that backdrop, the six main parties are making tax and spending promises (some more detailed than others)



Tax: what are the parties promising?

- › Only the Conservatives and Reform have made firm, (mostly) costed tax commitments
- › Every other party is either maintaining the status quo or offering aspirations contingent on conditions that may not arise
- › No party is proposing to significantly increase income tax to fund higher spending– meaning the fiscal gap has to be closed from elsewhere



Income tax

- › The Conservatives: raising the personal allowance, cutting rates to 19p, and aligning the higher rate threshold with rUK by 2031.
 - Estimated cost of nearly £2.5 billion by 2030-31.
 - All taxpayers would gain, but gains increase with income
- › Reform UK: align to the UK tax system, cutting all rates by 1p, then by 3p
 - Estimated cost of £2 billion to align to UK and cut rates by 1p
 - £1.7 billion additional to make rates 3p lower
- › SNP, Labour and Lib Dems all pledge to either simplify the tax system or move closer to the UK system - conditional on economic growth and improved finances
- › The Greens just pledge to keep a progressive income tax system



Business rates

SNP

- › Maintain the Small Business Bonus scheme

Conservatives

- › £20,000 property allowance
- › A smoother marginal rate structure removing cliff-edges

Labour

- › Replace business rates entirely with a new revenue-neutral tax
- › No detail on the design of this new tax

Lib Dem

- › Propose working towards a land value tax

Reform

- › Revenue-neutral reform
- › The only detail provided is cancelling April 2026 revaluation

Greens

- › Propose devolving rate-setting to councils and ending reliefs for 'harmful' businesses



Spending: what are the parties promising?

- › Lots of policies have been proposed, often with little prioritisation
- › Every party is promising more spending on public services – the question is not ambition, but whether the funding identified is credible
- › No party has fully acknowledged the current fiscal environment or how they intend to fund their spending policies
- › Manifestos do not consider the largest cost pressures facing the next government – public sector pay, rising welfare demand, and the long-term sustainability of health and social care funding

SNP

- › Additional £90 million per year to reduce waiting times to 26 weeks
- › £531 million to GPs to provide GP walk-in clinics
- › Develop health and social care app
- › Maximum prices for essential foods

Conservatives

- › Above-inflation increases to NHS funding
- › Doubling the GP share of the NHS budget to 12% and guaranteeing an appointment within 48 hours
- › Internal savings (back-office cuts and management reductions) intended to fund spending

Labour

- › Increase health and social care spending by £4 billion
- › £200 million per year to reduce waiting times and improve productivity
- › Make use of excess capacity across Scotland, and the UK health system
- › Introduce 'Payment by Results' model

Lib Dem

- › 900 new patient-facing staff in GP practices
- › Real terms increases to the mental health budget

Reform

- › A workforce plan to train more doctors and nurses in Scotland
- › Improve incentives for NHS staff through income tax cuts

Greens

- › GP ratio target of one GP per 1,000 patients with guaranteed 15-minute appointments
- › Nurse-to-patient ratios across all health and care settings
- › Free dental treatment



SNP – should food prices be capped?

- › SNP want to introduce a maximum price on between 20-50 essential food items in large supermarkets
- › First question – is this a sensible policy?
 - Price caps below market value can lead to shortages as more people demand the cheaper food, and suppliers produce less as it becomes less profitable to make
 - Who will pay for the policy? Producers, supermarkets, Government? These types of policies have unintended consequences.
 - How much and what types of food will be provided at lower prices? What will this mean for price of other foods?
- › Second question – is this legal?
 - Under the Internal Market Act, price and subsidy controls are reserved to UK Government

SNP

- › Expand collective bargaining into social care
- › £20 million for Complex Care Investment for Scotland
- › Increase support for Displaced Workers Scheme to £75,000

Conservatives

- › Introduce Health and Social Care Workforce Strategy
- › Propose a bed-blocking pilot scheme, aiming to discharge suitable patients to available care homes within 48 hours

Labour

- › Commit to £15 per hour wages for social care staff
- › Commit to 300 step-down beds and 1,000 care at home packages

Lib Dem

- › Plan to introduce national bargaining on pay and conditions for care workers
- › Improve access to housing for care workers

Reform

- › New deal for local government to give councils greater flexibility and control over their social care services

Greens

- › Commit to £15 per hour wages for social care staff
- › Plan to introduce pay parity between NHS and social care nurses

SNP

- › Maintain the Scottish Child Payment expansion to under 1-year olds as proposed in January 2026 budget

Conservatives

- › The only party proposing to directly cut welfare spending
- › Tightening ADP eligibility for mental health conditions
- › Introducing a two-child limit on the Scottish Child Payment

Labour

- › Maintain the Scottish Child Payment expansion to under 1-year olds as proposed in January 2026 budget

Lib Dem

- › Increase support for unpaid carers and remove the current income cliff-edge

Reform

- › Taper carer support payment to remove the current income cliff-edge
- › Increase face-to-face assessments for welfare claims

Greens

- › The only party to expand Scottish Child Payment
- › Increase to £40 per week immediately, rising to £55 per week by the end of the parliament

SNP

- › To expand their current offer to all children from nine months onwards – no detail on how many hours

Conservatives

- › To expand free childcare to working parents of children from nine months onwards – in line with the English provision

Labour

- › Two weeks of funded holiday clubs during the summer
- › Increase in the value of tax-free childcare from £2,000 to £3,000 per child
- › Both policies are targeted at children from working families

Lib Dem

- › 1,140 funded hours to start on a child's third birthday – rather than the term after the third birthday – for children with working parents

Reform

- › No childcare policies

Greens

- › Current 1140-hour provision extended to all two-year-olds
- › 570 hours for all children from six months – to be spent in a childcare setting or as a cash transfer

SNP

- › Universal free school meals
- › Breakfast clubs all primary and special schools from August 2027
- › Welcome to School Bag for all Primary 1 students at local schools
- › Minimum three-year guarantee for newly qualified teachers

Lib Dem

- › Recruit 2,000 additional pupil support assistants
- › Introduce play-based learning until the age of seven within a school setting
- › Secure funding for colleges by giving them greater freedom to retain surpluses and borrow money

Conservatives

- › Invest in 1,000 additional classroom assistants
- › Conduct a full national review of Scotland's current approach to mainstreaming
- › Maintain free tuition for Scottish university students
- › Restore Colleges budgets to their 2021–22 levels

Reform

- › Undertake a comprehensive review of university funding
- › Give Head Teachers more powers over their school budgets and staff recruitment

Labour

- › £630 million to recruit 1,500 additional classroom teachers and 2,000 education recovery teachers
- › Increasing college funding by £120 million
- › Maintain free university fees for Scottish undergraduate students, while also protecting the financial sustainability of the sector

Greens

- › Raise the school starting age to seven
- › End temporary teacher contracts

SNP

- › Commit to delivering Net Zero by 2045
- › Commit £500 million to their Just Transition Fund
- › Ringfence ScotWind revenues for future generations

Conservatives

- › Scrapping the 2045 net zero target
- › Use Crown Estate revenues from auctioning parts of Scotland's seabed for offshore wind projects to provide households with energy bill discounts

Labour

- › Commit to delivering Net Zero by 2045
- › Ringfencing at least £100 million of ScotWind revenues to provide low-cost finance for communities to develop or take equity in local energy projects

Lib Dem

- › Commit to delivering Net Zero by 2045
- › Transfer ScotWind rental income to nearby councils
- › Quadruple solar energy generation over the parliament

Reform

- › Scrapping the 2045 net zero target
- › Establish North Sea gas as the primary energy source

Greens

- › Commit to delivering Net Zero by 2045
- › £600 million renewables investment programme
- › Doubling of Just Transition funding to £1 billion



What the parties are not saying

- › No party is proposing to raise income tax to fund higher spending
- › No party is seriously engaging with public sector pay – 50% of Scottish Government budget
- › No party (except Greens) is proposing a full council tax revaluation despite wide consensus on the need for reform
- › No party is discussing reprioritisation of spending given constrained budgets
- › Parties have not publicly published their costings unprompted alongside their manifesto launch, which makes assessment of the overall manifesto difficult



How credible are these manifestos?

- › Scotland faces a genuine fiscal challenge that no party has fully confronted in this campaign
- › The reality is that delivering more requires either higher taxes or a smaller set of public services, and that the solution cannot come only from efficiency savings
- › There is a poor track record of delivering efficiency savings at this scale
 - Across UK and Scottish governments, efficiency saving targets have consistently been missed, resulting in either service cuts or budget top-ups
- › Voters deserve to know which of these choices the party they vote for will prioritise

Q&A



Thank you for coming

- › Do join us next door if you are able for a drinks reception



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