

# Setting the scene: Scotland on the eve of the 2026 Election

A report prepared as part of 2026 Scotland and Wales Election Analysis, a collaboration between the Fraser of Allander at the University of Strathclyde and the Wales Governance Centre at Cardiff University, with support from the Nuffield Foundation

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# 2026

## Scotland and Wales

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## Election Analysis



UNIVERSITY of STRATHCLYDE  
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## Foreword

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Scotland goes to the polls on 7 May amid a challenging climate for public finances. After a turbulent five years which have included recovering from the Covid pandemic, a high-inflation



period with a cost-of-living crisis, the next Scottish Government will inherit a tight fiscal settlement, with an underlying deficit, low productivity growth, a net zero transition to deliver and spending pressures that are only increasing as the population ages. Independent, rigorous analysis of the challenges facing Scotland's finances – and the choices it faces – has rarely mattered more.

This report, part of a broader project in collaboration with the Wales Governance Centre at Cardiff University, has been prepared by the Fraser of Allander Institute at the University of Strathclyde with generous support from the Nuffield Foundation. Our aim is straightforward: to cut through the complexity and to lay out the context in which all parties will need to present their proposals. On top of the budget numbers, we have looked in detail at critical sectors and areas of expenditure. The health service and the adult social care system will be front and centre of the spending pressures faced by the incoming administration, and the post-school education system will be key to delivering the economy necessary to fund the public services that Scotland expects and needs.

The picture that emerges is a set of critical challenges that must be faced head on. Scottish Government funding is tight throughout the Spending Review period, while health service performance remains some way off its targets. Meanwhile, public sector pay pressures are a source of concern, as is the muddled picture on adult social care and the falling funding of post-school education in real terms. The next Scottish Parliament will need to make hard choices, and the electorate needs parties to be honest about the scale of the challenges and how they plan to tackle them.

Over the coming months, we will update our analysis on our website, including looking at other sectors of interest. I invite you to check back regularly: we will have blog posts covering manifestos, regular podcasts during the campaign period, as well as events in Scotland, Wales and London. I do hope you can join us for some of those.

We hope this report contributes to the public's understanding of where Scotland stands on the eve of the election. As always, the analysis and conclusions are our own, and our views are not necessarily those of the Nuffield Foundation.

**Professor Mairi Spowage, Director of the Fraser of Allander Institute at the University of Strathclyde**

## Executive Summary

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This report is part of a joint project by the Fraser of Allander Institute (FAI) at the University of Strathclyde and the Wales Governance Centre at Cardiff University, with support from the Nuffield Foundation. It sets the scene for the upcoming Scottish Parliament Election on 7 May 2026, covering the main changes since the Scottish Budget for 2026-27, as well as three ‘deep dives’ on important areas of policy and expenditure: health, adult social care and post-school education in the form of colleges and universities.

### Income tax policy departed significantly from the 2021 manifesto

The 2021-2026 Scottish Parliamentary term has been defined by significant fiscal pressures, including Covid recovery, high inflation and increased public spending commitments. It is against this backdrop that the Scottish Government has in many cases had to rethink its policy decisions and its approach to ensuring that it can finance its commitments.

In this context, income tax policy over the last five years has been markedly different from the 2021 SNP manifesto, which committed to not increase rates or bands. Instead, Scotland now operates a six-band system. The higher rate threshold has also remained frozen in cash terms, bringing significantly more income into the 42% bracket. The Scottish system now raises significantly more than rates and thresholds prevalent in the rest of the UK would – we estimate it would cost the Scottish Government around £1.1 billion a year to equalise rates and thresholds.

### Child poverty spending has increased, but the 2030-31 targets look set to be missed

Spending on alleviating child poverty has doubled to £600 million in 2023-24, 1% of all expenditure. This reflects higher spending on social security, largely by expanding the Scottish Child Payment. It will rise to £28.20 a week from April 2026, above the £20 a week pledged in the manifesto. Free school meals have been expanded to P4 and P5, but not yet to P6 and P7.

Despite these increases in spending, progress to date has not been sufficient to meet child poverty targets. Relative child poverty was 22% in 2023-24, above the 18% interim target. The data also suggest that the trend in child poverty rates since the Scottish Child Payment was introduced may have started to diverge from the UK’s a whole. But Scotland is not on track to meet the even more stringent 2030-31 target of 10%, and reaching it would cost over £4.5 billion.

## Public sector pay has been a constant source of fiscal pressures in this Parliament

Pay settlements have exceeded pay policies since 2022, including the multi-year policy it set out in the 2025-26 Budget. In the case of the latter, the 9% in cash terms meant for three years has been nearly exhausted after two. But the latest Scottish Government releases have failed to acknowledge this issue, and has instead pushed the problem until after the election.

Median public sector pay in Scotland is now 14% higher than the private sector median, compared to 6% for the UK as a whole, and the Scottish Government has consolidated payments even when funding from the UK Government is based on one-off payments. The consequence is that all else equal, even equivalent pay deals to those in the rest of the UK will be applied to a larger number of workers who have a higher level of pay, therefore making them more expensive in Scotland (and, of course, therefore likely to cost more than any associated Barnett consequentials).

## Capital spending was eroded in real terms over much of the Parliament, largely as a result of high inflation

The 2025-26 Block Grant restored spending to 2021-22 levels, but it is again expected to contract in real terms as a result of the overall UK Government path for investment in areas that result in Barnett consequentials. After presenting plans for large increases in spending in June 2025, the Scottish Government has now had to reckon with the reality that it will have to tailor its investment plans to the funding available.

## Scottish public finances have become increasingly reliant on non-recurring funding, and Spending Review settlements raise some eyebrows

Over this Parliament, the management of the Scottish public finances has become increasingly reliant on one-off sources of funding, such as reconciliations, using the proceeds of ScotWind licences for day-to-day spending and using up all of the available Scotland Reserve funds. This deterioration in the underlying financial position represents a significant issue going forward, as the Scottish Government needs to be able to finance its spending – but cannot have a shortfall in perpetuity, nor can it rely solely on windfalls. And with an ageing population and low growth in the Block Grant for the Spending Review period, the challenges do not look like they are getting any easier.

The Scottish Spending Review presented plans for the coming three years in the face of a tight settlement, but it also raised some eyebrows. The allocation for health looks very tight compared with historical averages. Lower growth in health spending might be good news if it implied the government getting a grip on cost control in the NHS, but the news is less promising when we look at pay deals already agreed for next year, and which are far in excess of the funding uplift. The efficiencies implied are implausible to deliver in a

single year, so either there will be larger reductions in staffing levels than currently assumed, or the Scottish Government might find itself having to top-up this budget in due course.

Justice and Home Affairs stands out as particularly implausible, especially in the face of the courts and prisons crisis. Capital spending is planned to fall by 60% in real terms, as HMP Highland and HMP Glasgow are projected to be completed but no further major changes to the estate are planned. But even on the resource side it seems very low, falling by 0.6% a year in real terms of the Spending Review period.

## Growth in health spending looks low, and NHS performance is some way off targets

Health accounts for over a quarter of all Scottish Government spending. Figures for growth in spending on health are not meaningful in this Parliament given the Covid-19 pandemic, so we are focussing on a broader sweep of time in Scotland, looking back at how spending has evolved in the last twenty years.

Scottish health spending has gone from being 10% higher than the UK average to just below. Part of this is due to Scotland ageing faster than the UK average, but it is mostly due to the choice as to where to allocate funding. Scottish Government funding comes in the form of a Block Grant and general fiscal framework funding, neither of which is tied to any particular function.

NHS performance is difficult to compare across countries, but it is currently falling short of the targets set by the Scottish Government. Only 60% of new outpatients are being seen within 12 weeks (the target is 95%), although very long waits of over a year have been falling in recent months. The Treatment Time Guarantee (target 100%) is only being met in 59% of cases. And 66% of A&E visits are being seen, admitted, transferred or discharged within 4 hours (the target is 95%), a level which has not changed markedly since 2022.

## Funding for adult social care has increased, but so have costs and the amount of social care that is delivered may have actually decreased

Adult social care is a complex area, for which statutory responsibility lies with local authorities. But the number of bodies involved in the delivery of adult social care – including Integration Joint Boards – make tracking money through the system extremely difficult. Funding comes from a number of sources, including from Scottish Government (ring-fenced and through General Revenue Grant funding), fees and charges from service users, and from local authority monies raised from council tax or raised from reserves.

The 2021 SNP manifesto included a promise to establish a National Care Service by the end of the Parliament with national pay settlements, as well as the abolition of non-residential care charges. But this proved contentious, and it was eventually abandoned.

The Scottish Government stated that it would increase funding of social care by 25%, or £800 million. This appears to be an accurate figure, but must be seen in the context of higher wages and increases in employer National Insurance Contributions. It seems that the amount of social care that is delivered may have actually decreased over the Parliament, even in the face of increasing demand on services.

### Funding for post-school education has fallen significantly in real terms

Post-school education funding has decreased significantly in real-terms over the Parliament, decreasing by 15% between 2021-22 and 2024-25. This includes the funding given to tertiary institutions by the Scottish Funding Council, and income paid to institutions by Student Awards Agency for Scotland to cover tuition fees on behalf of Scottish-domiciled students. This squeeze has happened in both sectors, although the biggest real-terms decrease has been felt by Universities: a 17% drop, compared to 8% for colleges.

The outlook for spending from the Scottish Spending Review suggests that the spending squeeze on post-school education is likely to continue. On current plans, the SFC budget will go down by a further 10% in real terms compared to the 2024-25 level by 2028-29. The 2026-27 Budget did have an increase in funding for colleges, specifically tying it to their role in reducing poverty.

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# 1. Introduction

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Scotland goes to the polls on 7 May at a challenging time for the public finances. The 2021-2026 Parliamentary term was marked by significant fiscal pressures, including Covid recovery, high inflation and increased public spending commitments. The next Scottish Government will inherit not only a tight settlement, but underlying fiscal constraints that will shape its choices from day one.

This report is part of a joint project by the Fraser of Allander Institute (FAI) at the University of Strathclyde and the Wales Governance Centre at Cardiff University, with support from the Nuffield Foundation. It aims to set the scene for the upcoming Scottish Parliament Election. It also aims to contribute to the public's understanding of Scotland's challenges, which all parties standing must address as they lay out their plans for government.

The report is structured into four main parts. We begin with a fiscal update, in which we examine the key policy choices over the 2021-2026 Parliament – on income tax, child poverty alleviation, public sector pay and capital spending – before looking at the challenges coming from the 2026-27 Scottish Budget and Spending Review.

We then take three 'deep dives' into areas that will be central in the next Parliament: health, adult social care and post-school education (colleges and universities). In each case, we look at how spending has evolved, how delivery compares with the promises in the winning 2021 manifesto and what voters should look out for in the weeks and months ahead.

This report is the first output of a wider programme of work. It will be followed by a scene-setting report for Wales, led by our colleagues at the Wales Governance Centre at Cardiff University. We will also cover manifestos on our website, release regular podcasts throughout the campaign period, and host events in Scotland, Wales and London. We hope you can join for some of those – keep checking our website regularly for more details.

We are grateful for the generous support of the Nuffield Foundation. The analysis and conclusions are our own, and our views are not necessarily those of the Nuffield Foundation.

## 2. Fiscal update

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### 2.1 Five years of fiscal policy: what has defined the last Parliament?

The current parliamentary term has been defined by fiscal policy developments over the past five years. In its [2021 manifesto](#), the Scottish National Party set out an extensive programme of commitments spanning tax policy, public spending, and service delivery reforms. Five years later, the fiscal landscape tells a story of difficult trade-offs and mounting pressures on public finances.

The manifesto included a commitment to freeze Scottish income tax rates and bands alongside major spending pledges: establishing a National Care Service, doubling the Scottish Child Payment to £20 per week, removing council tax for under-22s, extending free school meals to all primary pupils, developing wraparound childcare, creating a National Infrastructure Company with £33 billion in planned investment, delivering 100,000 additional affordable homes, and providing minimum 4% pay increases for NHS staff.

While some policies have progressed, others have been deferred or abandoned entirely. This chapter examines how these commitments evolved over the parliament, assessing the position of fiscal policy at the end of the term relative to the promises made in 2021. It focuses on four key areas that illustrate the broader fiscal pressures facing Scotland: income tax policy, child poverty measures, public sector pay and workforce, and capital investment.

#### 2.1.1 Income tax changes

At the start of the parliamentary term, Scotland operated a five-band income tax system. The Government committed to freezing income tax rates and bands, and to increasing thresholds by no more than inflation. However, the system has since evolved into a six-band structure, following the introduction of the advanced rate in 2024-25, with changes to both rates and thresholds throughout the period.

##### 2.1.1.1 Changes to rates and thresholds

In 2023-24, the higher rate increased from 41% to 42% and the top rate from 46% to 47%, while the top rate threshold decreased from £150,000 to £125,140. The 2024-25 budget introduced the most significant structural change: a new 45% advanced rate applying to income between £75,001 and £125,140. Thresholds for lower income bands have increased above inflation in recent budgets, whereas thresholds for the higher rate and above have remained frozen. Table 2.1 summarises the changes between 2021-22 and 2026-27.

Table 2.1: Scottish income tax rates and thresholds in 2021-22 and 2026-27

	2021-22		2026-27	
	Threshold	Rate	Threshold	Rate
<b>Personal Allowance</b>	£0–£12,570	0%	£0–£12,570	0%
<b>Starter Rate</b>	£12,571–£14,667	19%	£12,571–£16,537	19%
<b>Basic Rate</b>	£14,668–£25,296	20%	£16,538 – £29,526	20%
<b>Intermediate Rate</b>	£25,297–£43,662	21%	£29,527 – £43,662	21%
<b>Higher Rate*</b>	£43,663–£150,000	41%	£43,663 – £75,000	42%
<b>Advanced Rate*</b>	-	-	£75,001 – £125,140	45%
<b>Top Rate</b>	Above £150,000	46%	Above £125,140	48%

Source: Scottish Government ([2021](#) & [2026](#))

\*A personal allowance taper is applied to incomes over £100,000. For each £2 earned above £100,000, there is a £1 reduction in the £12,570 tax free personal allowance. The personal allowance is zero once adjusted net income reaches £125,140 or more.

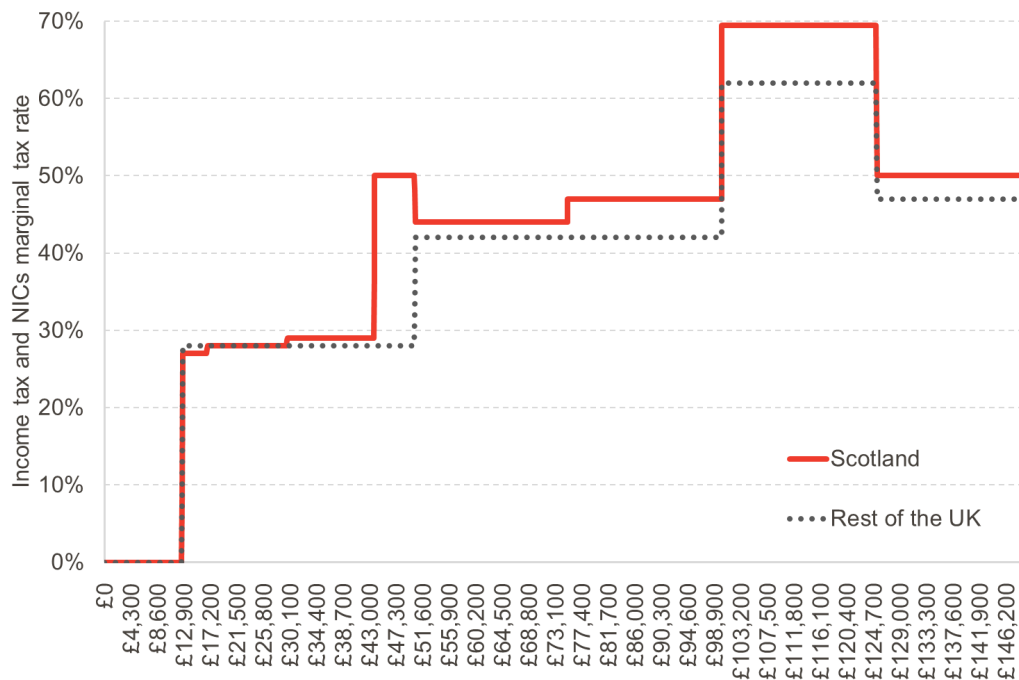
These policy changes have had a material impact on revenues and the distribution of taxpayers across bands. The introduction of the advanced rate was forecast to raise an additional £3.6 billion in 2024-25 and resulted in over 130,000 taxpayers moving from the higher rate into the advanced rate band. The number of taxpayers in higher tax bands has also increased substantially. In 2021-22, around 400,000 individuals paid the higher rate of income tax. By 2025-26, this is forecast to have risen to nearly 725,000 taxpayers across the higher and advanced rate bands combined. This figure does not include individuals who moved into the top rate following the reduction in the top rate threshold.

#### 2.1.1.2 Comparison with the Rest of the UK

These changes have increased the divergence between the Scottish income tax system and the system operating in the rest of the UK. Individuals earning below median income pay less tax in Scotland than they would elsewhere in the UK, largely due to the 19% starter rate compared with the 20% UK basic rate. This applies to incomes between £12,571 and £16,537 and results in a maximum annual saving of £40 (around 76 pence per week).

However, taxpayers in Scotland earning above £29,526 per year pay more tax than they would in the rest of the UK. The scale of this divergence varies considerably across the income distribution and is most apparent when income tax is considered alongside National Insurance contributions, which remain reserved to the UK Government.

Chart 2.1: Income tax and NICs marginal tax rates in Scotland and the rest of the UK



Source: FAI calculations

Figure 1 presents combined marginal tax rates for income tax and NICs, measuring the tax paid on each additional pound earned. For all taxpayers across the UK, the NICs rate is reduced from 8% to 2% at £50,270, where the higher rate of income tax is introduced in the rest of the UK. However, in Scotland, the higher rate is introduced earlier, at £43,663. As a result, Scottish taxpayers earning between £43,663 and £50,270 face a combined marginal tax rate of 50% – 22 percentage points higher than the rate faced by taxpayers elsewhere in the UK over the same income range. This represents the largest differential in marginal tax rates with the rest of the UK at any income level.

Once earnings exceed £50,270, the marginal tax rate for Scottish taxpayers falls to 44%, reflecting the lower NICs rate. Marginal rates then increase broadly in line with the UK system, with the exception of an additional rise at £75,000, where the Scottish advanced rate applies. The marginal rate spikes for both tax systems between £100,000 and £125,140, where the personal allowance is withdrawn at a rate of £1 for every £2 of additional income.

When viewing the Scottish tax system at the margin, in combination with NICs rates, which is the reality of tax paid by Scottish taxpayers, parts of the tax system are less progressive than it would appear at first. While lower incomes (£12,570-£16,537) do pay a lower marginal rate than they would in the rest of the UK, within Scotland those earning between £44,663 and £50,270 have a higher marginal tax rate than those earning between £50,270-£100,000 and face the same marginal tax rate (50%) as anyone earning £125,140 or more. There is an even higher marginal rate between

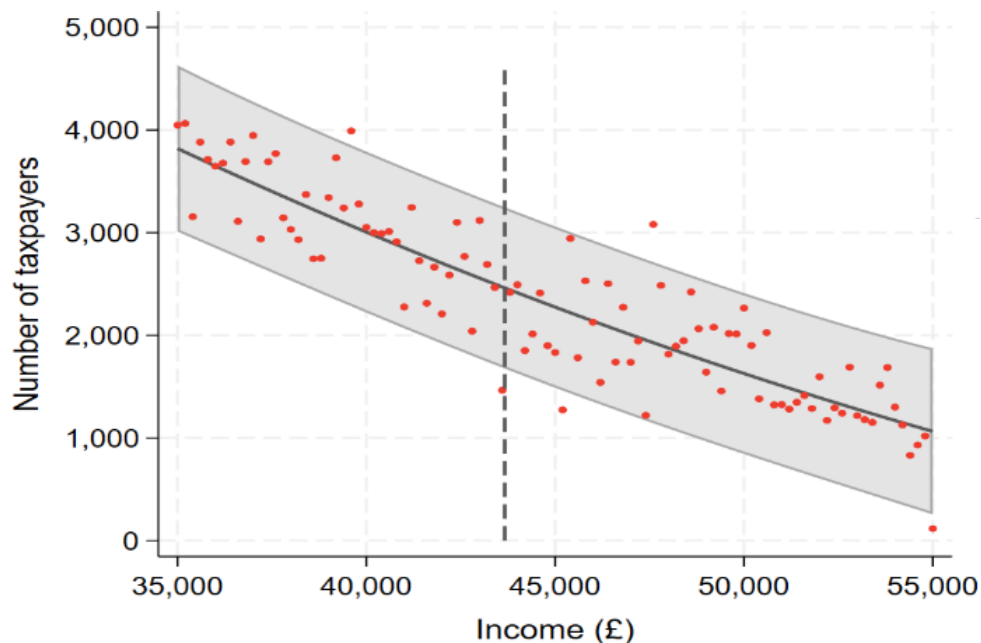
£100,000 and £125,140 as a consequence of the personal allowance taper – this is true for the whole of the UK, although the higher Scottish rates at those incomes compound to create an effective marginal rate of 69.5% – higher than in the rest of the UK.

### 2.1.1.3 Behavioural effects from different tax systems

To assess whether divergence in the income tax system has been led to any behavioural responses – such as individuals reducing hours worked or adjusting remuneration through salary sacrifice arrangements – we examined the latest available Scottish taxpayer data from 2022-23. The analysis tested for evidence of income "bunching" below the Scottish higher rate threshold of £43,663, where the combined marginal tax rate increases sharply from 29% to 50%.

The analysis finds only weak evidence of bunching at this threshold. Figure 2 shows the distribution of taxpayers around the higher rate threshold. While there are fewer taxpayers than expected just below the threshold – statistically significant at the 5% level – there is no corresponding increase in the number of taxpayers clustered elsewhere below the threshold relative to those above it. Statistical tests using a window of £7,500 on either side of the threshold suggest around 12% fewer taxpayers than expected above the threshold, although this result is only significant at the 10% level.

Chart 2.2: Distribution of taxpayers around the Scottish higher rate threshold



Source: SPI data 2022-23 and FAI calculations

Note: The shaded grey area represents two standard deviations from the expected distribution of taxpayers. Data points outside this range indicate statistically significant divergence from the expected value at the 5 per cent level.

The absence of stronger evidence of bunching may reflect limits on individuals' ability to precisely target their taxable income following behavioural adjustments. Where individuals respond by reducing hours worked or adjusting taxable salaries, incomes may fall but not necessarily to a common level just below the threshold, making such responses harder to identify in the income distribution. However, the analysis considers a window of approximately £10,000 on either side of the threshold, which would be expected to capture at least some clustering effects if they were present within this range.

Additionally, there is a lag in published tax data. As incomes have continued to grow and the higher rate threshold has remained frozen, stronger evidence of bunching may emerge in more recent years as more taxpayers move closer to this tax threshold.

### 2.1.2 Policies to reduce child poverty

The 2021 manifesto set out several policy commitments aimed at reducing child poverty in Scotland, including doubling the Scottish Child Payment to £20 per week, extending free school meals to all primary school pupils, and developing a wraparound childcare system to support families with childcare costs. Reducing child poverty has consistently been identified by the Scottish Government as its top policy priority over the course of the parliamentary term.

Progress has been made across each of these policy areas, although not all commitments have been fully delivered.

#### 2.1.2.1 Policy Implementation

The Scottish Child Payment commitment was met early in the parliamentary term, with the payment increased to £20 per week in April 2022. The payment has since been increased further. In the 2026-27 Budget, it was confirmed that the Scottish Child Payment will rise to £28.20 per week from April 2026, with an additional increase to £40 per week for children under the age of one from April 2027. [Scottish Government](#) estimates indicate that the Scottish Child Payment kept around 40,000 children out of relative poverty in 2025-26 and reduced the relative child poverty rate by around 4 percentage points.

Progress has also been made towards expanding free school meal provision, although the original commitment to universal provision across all primary school years has not yet been met. At the time of the 2021 manifesto, free school meals were available to pupils in P1 to P3. Eligibility was extended to P4 in August 2021 and to P5 in early 2022.

Similarly, steps have been taken towards the development of a wraparound childcare system. This has included the introduction of pilot schemes, including the [Scottish Football Association Extra Time Programme](#), which supports local football clubs to deliver free before-school, after-school, and holiday activities for primary school

children from low-income families. In 2025, the programme supported around 5,000 children across 28 local authority areas. The 2026-27 Budget committed £5.5 million to continue the scheme, alongside an additional £2.5 million per year until 2028-29 to expand wraparound activity provision.

### 2.1.2.2 Spending and Outcomes

[FAI analysis](#) examines how much the Government has spent on policies primarily focused on tackling child poverty, including confirmed spending and transfers where expenditure is related to an action or policy to tackle child poverty. The analysis, on data up to 2023-24, shows that this spending has increased over the period, rising from £300 million in 2021-22 (0.5% of total Scottish Government expenditure) to £600 million in 2023-24 (1% of total spending). Most of this increase reflects higher spending on social security, driven largely by the expansion of the Scottish Child Payment, which accounts for 90% of social security spending focused on child poverty in 2023-24.

Despite these increases in spending, progress to date has not been sufficient to meet child poverty targets. In 2017, [statutory targets](#) were introduced for 2030-31, including a target to reduce relative child poverty to 10%, with an interim target of 18% for 2023-24. Latest data show that the interim target was missed, with relative child poverty standing at 22% in 2023-24.

On the basis of current policy settings and spending plans, the Scottish Government is not on track to meet the 2030-31 child poverty targets. Recent policy changes are expected to contribute to reductions in child poverty, including the removal of the two-child limit in Scotland from April 2026, which is estimated to reduce child poverty by around 1 percentage point. [FAI analysis](#) indicates that meeting the statutory targets would require substantial additional spending of around £4.6 to £4.9 billion in 2025 prices. This is equivalent to approximately 75-80% of the devolved benefits budget in Scotland in 2024-25.

### 2.1.3 Public sector pay and workforce

The Government pledged in 2021 to deliver at least a 4% pay rise for NHS staff. While this has been achieved across the public sector, concerns over the sustainability of the growing size and cost of Scotland's public sector have dominated the latter half of this parliament, and resulted in multiple emergency in-year spending adjustments.

#### 2.1.3.1 A growing workforce and rising pay

There are two dimensions to the sustainability concerns: the size of the workforce and how much they are paid.

The Scottish Fiscal Commission (SFC) highlighted in its [2025 Fiscal Update](#) that the devolved public sector workforce has grown year-on-year across the parliament. Based on data up to 2024-25, the workforce expanded by 6% since 2020-21. Within this, the

devolved civil service grew by 33% and the NHS by 8% - both of which the Scottish Government have direct control over.

Pay deals have compounded these pressures. The Scottish Government published [annual pay policies](#) in budget documents up to and including December 2021. Public sector pay then saw substantial increases in 2022, with median public sector pay increasing by [6%](#), following the cost of living and inflation crises.

Pay policies for 2023-24 and 2024-25 were not published in time for the Scottish budget – the 2023-24 pay policy not published until March 2023 and the 2024-25 pay policy not published until May 2024. On both occasions, the SFC had to estimate public sector pay growth to produce budget forecasts.

More significantly, the Scottish Government has not followed the rates set out in any of its pay policies since 2022. In 2023-24, the average public sector pay award was 6.5% – 3 percentage points higher than the pay policy rate. In 2024-25, pay deals were agreed without a published policy in place, resulting in settlements of 4.27% for local authority workers and 5.5% for NHS workers, both above the 3% eventually set out when the policy was published.

The pay policy for [2025-26](#) was published on time as a multiyear deal covering 2025-26 to 2027-28, setting an overall 9% increase with a 3% cap on any single year. Two-year deals for 2025-26 and 2026-27 have since been confirmed. Some have an inflation protection clause included, so pay will increase if inflation rises. Regardless of inflation clauses, all deals exceed the 3% cap. NHS staff and the Scottish Prison Service received 4.25% (2025-26) and 3.75% (2026-27). Local Government received 4% (2025-26) and 3.5% (2026-27). The [SFC](#) notes that unless deals in the final year accept nominal pay growth of around 1%, the multiyear policy will also be exceeded.

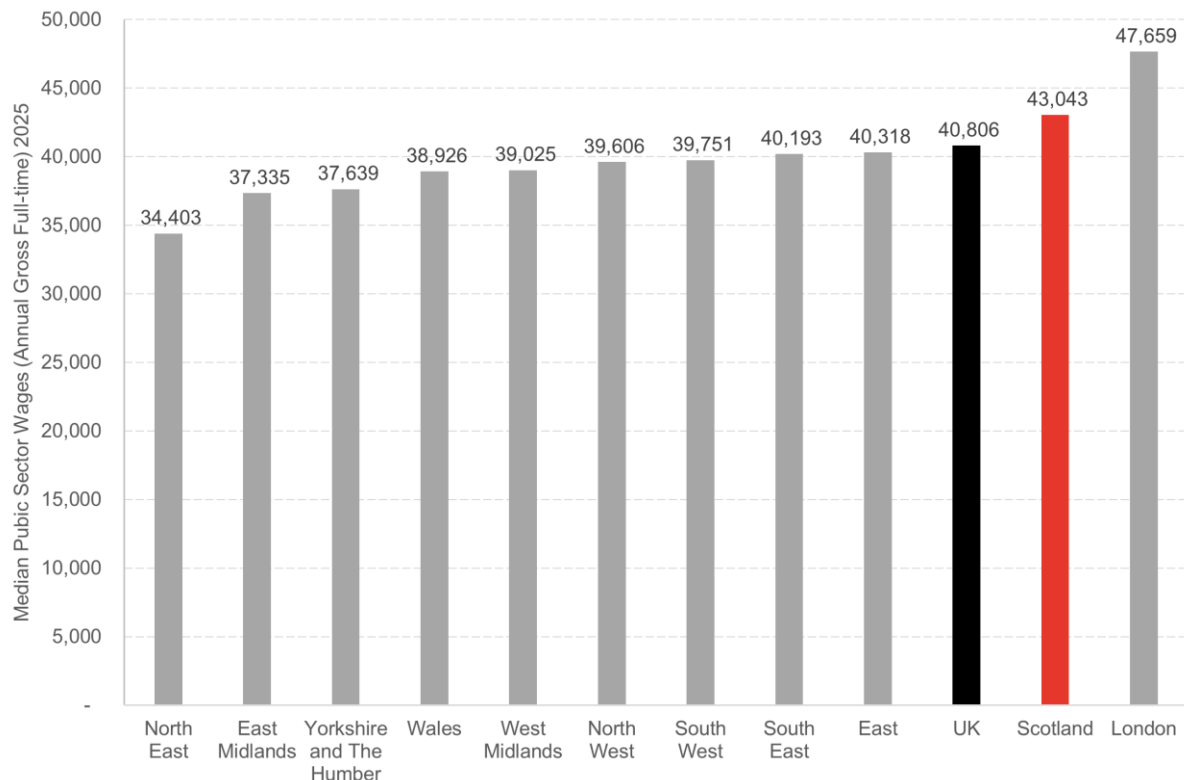
The [integrated public sector pay and workforce policy](#) set out in the most recent budget makes no acknowledgement that annual pay deals since 2022 have broken policy limits. Instead, the Government announced plans to set a new policy after the election, in the 2027-28 budget.

It is important to note that pay policies do not account for pay drift – other increases to pay growth beyond awards, including pay progression, workforce composition changes, and overtime and allowances. The [SFC](#) forecasts an additional growth rate of 1-1.5% to account for this drift.

### 2.1.3.2 Fiscal consequences

As a consequence of higher pay deals, there is now a divergence in the level of public sector wages between Scotland and the rest of the UK. Median public sector wages in Scotland increased from 101% of the UK level in 2016 to 104% in 2020, rising further to 105% in 2021, where it remains in 2025, as shown in Figure 3.

Chart 2.3: Median public sector wages across UK regions (annual, gross full-time), 2025



Source: [ASHE data](#) and FAI calculations

Median public sector pay in Scotland is now 14% higher than the private sector median, compared to 6% for the UK as a whole. At £43,043 in 2025, the median public sector pay is only £620 below the higher rate tax threshold. This is significantly closer to the threshold than median public sector pay in London is to the UK higher rate threshold. This higher median also needs to be seen in the context of a larger public sector in Scotland, which accounts for 22% of employment, compared to 17% at the UK level.

While the Scottish Government has emphasised that it awards higher pay deals than the UK Government and offered consolidated increases over one-off payments, this approach comes at a cost.

All else equal, even equivalent pay deals to those in the rest of the UK will be applied to a larger number of workers who have a higher level of pay, therefore making them more expensive in Scotland (and, of course, therefore likely to cost more than any associated Barnett consequentials).

Setting budgets based on pay growth assumptions lower than what materialises also creates in-year management difficulties. For example, the [Scottish Government](#) estimated that 2025-26 pay deals cost an additional £122 million above what was budgeted. To fund higher-than-planned pay bills, the Government has to reduce planned spending on services.

This has resulted in repeated in-year emergency spending controls across the parliament. In November 2022, an [emergency budget review](#) reprioritised £700 million of public spending to support enhanced pay offers. While there was no emergency spending review in 2023-24, in-year spending pressures – largely from inflation and pay deals – created an implied [£928 million gap](#) between spending commitments and available funding, requiring spending cuts, reserve drawdowns, and portfolio reprioritisation. In September 2024, the Government announced [emergency spending controls](#), including around £60 million in savings from recruitment, overtime, travel, and marketing, to fund [£77.5 million](#) given to local authorities to settle pay disputes.

At the time, both the [SFC](#) and [Audit Scotland](#) emphasised that Scottish Government decision-making around public pay awards had led to in-year budget pressures and that the Government was increasingly relying on in-year adjustments to balance its budget.

#### 2.1.3.4 Implications for the next government

The Scottish Government's failure to address ongoing pay policy issues in the latest budget means the recent trend of emergency in-year spending reviews is likely to continue. Given that pay deals of around 1% are unlikely to be approved in line with current policy, the recent trend of emergency in year spending reviews is likely to continue.

The Government's approach to public sector pay deals over the last parliament is unsustainable and will continue to cause issues unless it is addressed.

These pay deals could become sustainable if the Government reduces the size of the public sector sufficiently to bring the total pay bill in line with what can be afforded. In the [Fiscal Sustainability Delivery Plan](#) published in June 2025, the Scottish Government committed to a gradual workforce reduction of 0.5% per year for the next five years, estimated to save around £100 million in 2026-27 rising to around £700 million in 2029-30.

However, this reduction is insufficient to reverse recent growth. Furthermore, the 0.5% target is based on the expected pay bill from the current pay policy, which is unlikely to be followed in the final year. A larger reduction in the public sector workforce will be required to achieve the same total pay bill.

#### 2.1.4 Capital investment

The 2021 manifesto set out ambitious capital investment commitments, including £33 billion in infrastructure investment and the establishment of a National Infrastructure Company. Delivery has been constrained by high inflation, supply chain disruption, and rising costs for materials and labour. These pressures have increased project costs and eroded the real-terms value of capital budgets across the parliament.

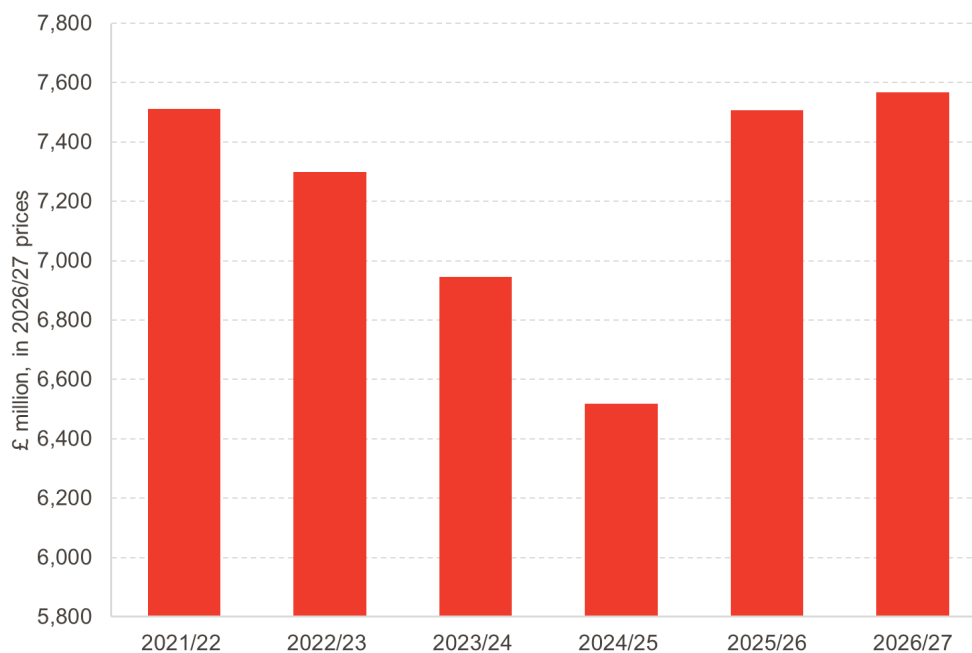
#### 2.1.4.1 Shrinking capital budgets in real terms

Figure 4 presents the Scottish Government’s capital budget from 2021-22 to 2026-27 expressed in 2026-27 prices. It shows a sustained decline in the real-terms capital budget between 2021-22 and 2024-25, largely reflecting the impact of high inflation on the Scottish Government’s capital grant. The capital budget increases in 2025-26, driven primarily by higher UK Government capital spending announced in the UK Autumn Budget 2024. However, this increase follows several years of real-terms contraction.

Limited growth in capital budgets creates challenges for long-term investment planning. Capital projects typically have long development and delivery timescales, and it is easier to delay or cancel capital spending than day-to-day expenditure when funding pressures arise.

The Scottish Government’s [Medium-Term Financial Strategy](#), published in June 2025, highlighted a projected capital funding gap to 2029-30, with forecast capital spending exceeding available funding by around £1.1 billion over the period.

*Chart 2.4: Scottish Government capital budget over time*



*Source: FAI calculations*

#### 2.1.4.2 Capital projects delivered and delayed

These pressures have constrained progress against 2021 commitments. While a National Infrastructure Company was not created, the Scottish Government published the [Infrastructure Investment Plan](#) (IIP) setting out around £26 billion of major projects and programmes for 2021-22 to 2025-26.

Some programmes have been delivered or initiated. However, other projects from the initial scope have moved to the new [Infrastructure Delivery Pipeline](#), covering 2026 to 2030 with around £11.1 billion in planned investment.

The commitment to deliver 100,000 additional affordable homes during the parliamentary term has been extended to 110,000 affordable homes by 2032 – six years beyond the end of the current parliament. As of September 2025, around [31,064 affordable homes](#) had been completed towards this revised target. The dualling of the A9, a long-standing commitment first made in 2011, has again been carried forward into the new infrastructure delivery pipeline.

Additionally, several projects remain in a "development" pipeline rather than a delivery pipeline, meaning the Scottish Government has not allocated funds for them. This could lead to further delays or cancellations given ongoing capital budget constraints.

In summary, the last five years have seen considerable divergence between the fiscal commitments set out in 2021 and subsequent policy outcomes. Income tax policy has departed from manifesto pledges, with the introduction of new tax bands and rate changes generating substantial additional revenue but also increasing divergence from the rest of the UK. Spending on child poverty reduction has increased, but remains substantially below what would be required to meet statutory targets. Public sector pay settlements have consistently exceeded budgeted levels, contributing to recurring in-year budget pressures and emergency spending reviews. Capital investment has been constrained by inflation and limited budget growth, with delivery of major commitments deferred beyond the current parliamentary term.

## 2.2 The 2026 Scottish Budget and Spending Review

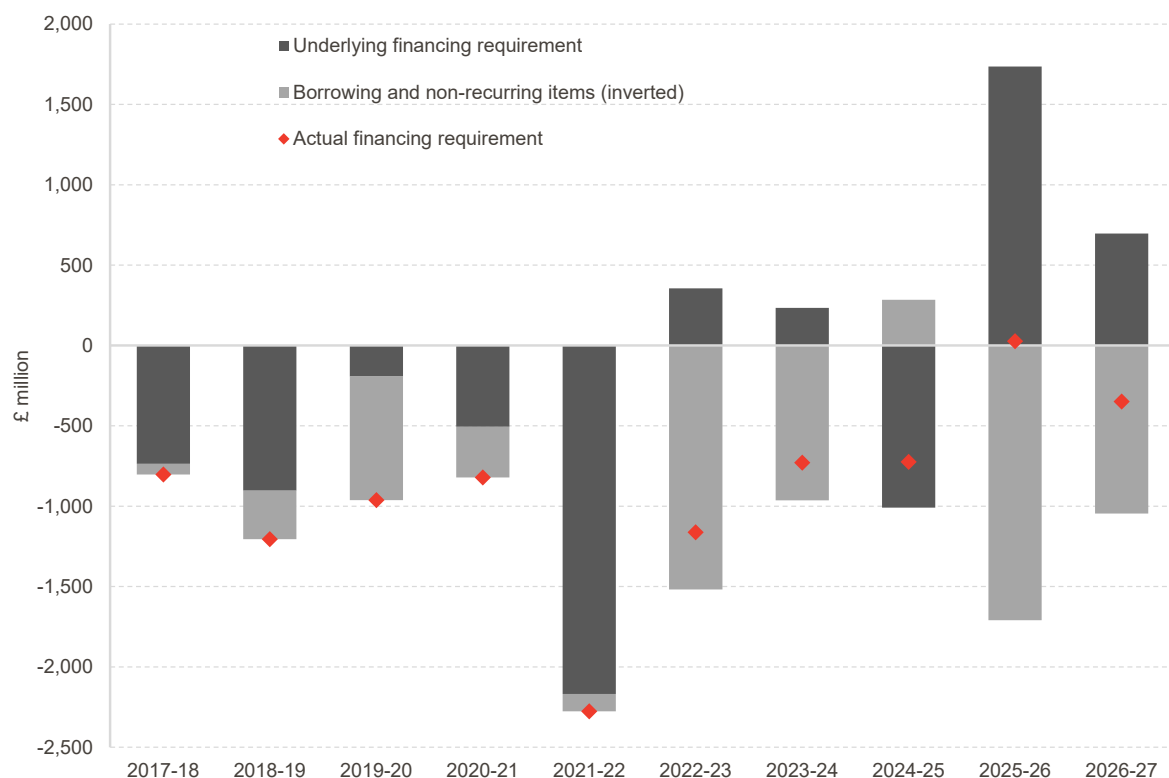
### 2.2.1 The budgeting picture of the Scottish Government has worsened considerably since the last election

In our [Budget Report](#), we highlighted what has become regular practice by the Scottish Government. The financing of spending has consistently been done on the basis of non-recurring and often unpredictable revenues, and this has continued for 2026-27.

This is not a new phenomenon, but it is one that has become increasingly commonplace since the pandemic and the last election. The underlying financing requirement has gone from a few hundred million pounds below zero (meaning an underspend relative to structural funding) to £500m to £1.5 billion in the last couple of financial years. The only exception was 2024-25, in which a combination of emergency financial controls, lower-than-initially-projected social security spending and higher-than-expected Barnett consequentials from the post-UK General Election Budget resulted in an underspend relative to funding.

While the Scottish Government has given itself around £300 million of headroom in this Budget, this relies on over £1 billion in borrowing and exceptional revenues – including a £350 million reconciliation, drawing down all the £150 million balance in the Scotland Reserve and using £50 million of ScotWind proceeds used for day-to-day spending.

*Chart 2.5: Actual and underlying financing requirement for the Scottish Government*



Source: FAI analysis of Scottish Government data

This deterioration in the underlying financial position represents a significant issue going forward, as the Scottish Government needs to be able to finance its spending – but cannot have a shortfall in perpetuity, nor can it rely solely on windfalls.

### 2.2.2 Asymmetric risks

The Scottish Government has coincided with further devolution of powers, particularly on social security, which are demand-driven and therefore much harder to budget for. This has no doubt had an effect on how easily and flexibly the Scottish Government can adjust its spending plans over the course of the year. But while some of it is a product of the fiscal setup in Scotland, it also stems from decisions made in Holyrood about how to budget.

Each year, the Scottish Government presents its budget including social security spending in its level 4 budgets, using the Scottish Fiscal Commission's (SFC) central forecast. While this seems like a pragmatic approach and uses the best forecast available, it is worth considering the fact that the risks are asymmetric for the Scottish Government. If spending ends up undershooting the forecast, it releases funds that could either be spent on other areas or – more prudently – put into the Scotland Reserve.

But if spending is higher than forecast, the Scottish Government cannot borrow to fund it, and so it has to allocate money either from the Reserve or from other spending areas to pay for it.

But even comparing budgets with outturn is not enough to measure the inherent risk of the framework. As we get closer to the end of the financial year, more of the non-demand-driven spending has already happened, making it harder to manage any demand-driven pressures that arise.

Devolved benefits tend to be structural rather than driven by the economic cycle, which mitigates some of these effects. For example, disability status and caring needs do not depend on the state of the economy, although the Scottish Fiscal Commission has noted that the cost-of-living crisis is likely to have led to more people applying to benefits they would already have been entitled to.<sup>1</sup>

The same is not true of the Scottish Child Payment, whose eligibility is based on entitlement to Universal Credit, itself partially linked to the state of the labour market. Regardless of one's views on merits of the policy, the creation and expansion of the Scottish Child Payment have objectively increased the exposure of the Scottish Budget

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<sup>1</sup> See Scotland's Economic and Fiscal Forecasts, December 2023: <https://fiscalcommission.scot/wp-content/uploads/2023/12/Scotlands-Economic-and-Fiscal-Forecasts-December-2023-Revised-April-2024.pdf>.

to the economic cycle, and the payment itself needs to be financed from non-BGA sources as it has no equivalent elsewhere in the UK.

But it is not just – and maybe not even primarily – social security that has had a notable effect on the underlying position in recent years. Other areas such as pay settlements exceeding the budgeted-for pay policy have contributed significantly to growth in spending that has not been matched by growth in underlying funding. Not only has this led to the several emergency reviews discussed in section [x.x], it also contributes significantly to the £5 billion gap in funding relative to planned spending by the end of the decade that was presented in the Medium-Term Financial Strategy.

### 2.2.3 The inevitable reckoning on capital spending has now happened

We highlighted just before the Scottish Budget that the capital spending plans put forward by the Scottish Government in June were unrealistic and unaffordable. The funding situation had largely been known already as a product of the UK Spending Review, in which two of the biggest winners on the capital side (Defence and Business and Trade) come with little to no Barnett consequentials. Given that the MTFS was delayed for the sole purpose of incorporating the settlement from the UK Spending Review, the growth in capital spending plans shown in June always looked suspect.

*Table 2.2: Funding and spending plans on capital published by the Scottish Government*

£ million	2025-26	2026-27	2027-28	2028-29	2029-30
<b>Funding</b>					
Capital Block Grant	6,255	6,712	6,794	6,643	6,748
FT Block Grant	167	245	252	311	361
Borrowing	430	491	300	360	300
Scotland Reserve	60	0	0	0	0
City Deals	122	120	110	119	102
ScotWind	153	0	92	0	99
Other	9	0	0	132	0
<b>Total capital funding</b>	<b>7,196</b>	<b>7,568</b>	<b>7,548</b>	<b>7,565</b>	<b>7,611</b>
<b>MTFS spending plans</b>	<b>7,230</b>	<b>8,180</b>	<b>8,501</b>	<b>8,962</b>	<b>9,213</b>
Funding shortfall	34	612	953	1,397	1,602
<b>Scottish Spending Review plans</b>		<b>7,567</b>	<b>7,547</b>	<b>7,564</b>	<b>7,608</b>
Funding shortfall		-1	-1	-2	-2
<b>Change in plans since MTFS</b>		-613	-955	-1,398	-1,605
% change in plans since MTFS		-7%	-11%	-16%	-17%

*Source: FAI analysis of Scottish Fiscal Commission and Scottish Government data*

The Scottish Government has now recognised the arithmetic reality that it cannot finance a 27% increase in spending when funding is only growing by 6% in the same period. The MTFS plans have been cut by £600 million in 2026-27 and by £1.6 billion by

2029-30, and the Budget and Spending Review present a much scaled-back version of the path of capital projects.

Alongside the Spending Review, the Scottish Government also released the much-awaited Infrastructure Delivery Pipeline (IDP). This includes around £10 billion in major projects over the four years of the capital spending review, but representing still around a third of all planned capital spending.

But it is worth looking back at the 2021 Infrastructure Investment Plan (IIP), which covered the parliamentary term now ending. The IIP covered around £15 billion over five years, or £12 billion on a comparable basis to the new IDP. Many of these projects remain but have seen their costs go up: see, for example, the dualling of the A9, now projected to cost £3.7 billion rather than the £3 billion expected in 2021. But the 2026-2030 is also a period in which much more of that spending falls (£1.2 billion) than the 2021-2026 period (£325 million), meaning that spending is much more concentrated in a smaller number of projects.

There have also been several projects that have moved from delivery to a “development” pipeline. This is at the very least a significant shifting to the right in terms of timetable for delivery, and those of a cynical disposition might well imagine this being a staging post towards a future cancellation. The whole of the A96 dualling and the A82 Tarbet to Inverarnan programmes, which were part of the IIP, are now in the development pipeline, with no costings or timetable attached. The CalMac ferries (to Mull, Dunoon and Small Vessel Replacement Programme Phase 2) and harbour development works projected to be delivered by 2026 have also been delayed indefinitely, as has the Monklands Hospital replacement.

There are good arguments for not overpromising on delivery of capital projects, which are notorious for overrunning in time and cost, and the IDP seems more focussed by virtue of containing less than 50 projects, compared with the nearly 70 in the 2021 IIP. But it is also notable how scaled back the IDP looks compared with its predecessor in terms of scope and ambition.

#### 2.2.4 The plans unveiled for some of the portfolios are eyebrow-raising

There are a few areas in particular where the tightness of the settlement seems implausible. Justice and Home Affairs stands out, especially in the face of the courts and prisons crisis. Capital spending is planned to fall by 60% in real terms, as HMP Highland and HMP Glasgow are projected to be completed but no further major changes to the estate are planned. But even on the resource side it seems very low, falling by 0.6% a year in real terms of the Spending Review period.

Health spending too looks incredibly tight based on historical averages and on already-agreed pay deals. Scottish resource health spending has been growing at an average of 3% a year in real terms since devolution. Compare that with the budgeted 1.8% a year

from 2026-27 to 2028-29, which would be the tightest 3-year period outside of 2011-2014 and 2016-2019.

Lower growth in health spending might be good news if it implied the government getting a grip on cost control in the NHS, which as we highlighted in our Budget Report is key to delivering fiscal sustainability in the long run. But the news is less promising when we look at pay deals already agreed for next year, when nominal growth in day-to-day health budgets is 3% and real-terms growth a mere 0.7%.

Against this backdrop, the Agenda for Change and resident doctors pay deals of 3.75% (with inflation protection) and 9.4% (once pay scale restructuring is accounted for), respectively, seem out of kilter with what was laid out in the Budget. Unless there are significant changes to procurement spending of the kind that is pretty hard to imagine being delivered in a single year or larger reductions in staffing levels than currently assumed, this is likely to be enough to eat up the small headroom the Scottish Government left itself.

*Table 2.3: Scottish Spending Review real annual growth rates in resource and capital spending by portfolio*

<b>Portfolio</b>	<b>Resource</b>	<b>Capital</b>
Health and Social Care	1.8%	-3.1%
Finance and Local Government	-1.3%	-6.5%
Social Justice	3.7%	-15.6%
Education and Skills	-0.8%	-3.2%
Justice and Home Affairs	-0.6%	-20.2%
Transport	3.6%	2.8%
DFM, Economy and Gaelic	-0.6%	-8.4%
Housing	-2.6%	6.0%
Rural Affairs, Land Reform & Islands	-2.0%	-1.6%
Climate Action and Energy	-0.6%	-8.1%
Constitution, External Affairs & Culture	4.4%	1.5%
COPFS	-1.4%	2.6%
<b>Total</b>	<b>0.9%</b>	<b>-1.9%</b>

*Source: FAI analysis of Scottish Government data, OBR*

The Finance and Local Government portfolio has been hit hard, with falling resource and capital real-terms budgets throughout, which is likely to have an effect on decisions about council tax in the coming months and years. The additional council tax bands might raise some more revenue locally, but this has not been quantified yet.

Social Justice has the strongest growth in spending, driven by growth in Social Security payments. And Transport also has healthy growth of 3.6% a year on resource and 2.8% a year on capital. We do not have level 4 budgets beyond 2026-27, but if next year is an indication, the resource spending growth in particular will come from concessionary bus fares, routine and winter maintenance and CalMac operations.

## 2.3 Fiscal sustainability looking forward

If 2026-27 has been challenging to budget for, the years going forward in the next Scottish Parliament do not look much easier.

Barring any major changes in fiscal policy, the course of the Block Grant is pretty much set for the next three years on resource and four years on capital, in line with the UK Spending Review finalised in June last year. This is why the Scottish Spending Review could now be conducted – the first such multi-year exercise in several years.

But the path for funding is extremely tight. Real-terms growth in the resource Block Grant is expected to be just 0.6% a year, but even that undersells the tightness of the settlement: it is a mere 0.3% in 2027-28 and beyond. The capital Block Grant too is forecast to fall in real terms below the 2025-26 level, despite a 5% boost in 2026-27.

*Table 2.4: Real-terms growth rate for the Block Grant*

	2026 -27	2027- 28	2028- 29	2029- 30	2030- 31	SR period average	Forecast period average
Resource	1.0%	0.3%	0.3%	0.2%	0.2%	0.6%	0.4%
Capital	5.0%	-0.8%	-4.0%	-0.3%	-1.9%	-0.1%	-0.4%

*Source: Scottish Fiscal Commission. Shaded cells fall outside the Spending Review period and are therefore less certain.*

It is important to note that this path for the Block Grant is determined by the Barnett formula, which allocates funding on the basis of comparable UK Government departmental budgets. The tightness of the settlement reflects the tightness of the overall UK departmental spending path for Barnett-generating departments. This is even more acute on capital due to the increase in defence spending announced in the UK Spending Review to the detriment of other departments. Of course, if the UK Government were to top up those plans in the run-up to the next General Election, it would provide additional funding for the Scottish Government.

This tight settlement must be viewed in the context of Scotland's ageing population, whose effects are starting to affect public services and public spending priorities. As we discussed in our Budget Report, these demographic pressures, together with continued low productivity growth, are likely to exacerbate the difficulties faced by the Scottish Government in the medium and long term.

The fiscal choices facing the next Scottish Government will be shaped in part by Scotland's current income tax net position. Although Scottish income tax revenues have grown, this is offset by strong growth in the Block Grant Adjustment (BGA), which reflects tax performance in the rest of the UK. Differences in income distribution mean that earnings growth in England, particularly at the top of the income distribution driven by London, generates proportionally more tax revenue than in Scotland. As a result, Scotland would need higher income tax rates than those in the rest of the UK to raise an equivalent level of revenue. We estimate that aligning Scottish income tax rates and bands with those in the rest of the UK would reduce Scottish Government revenues by around £1.1 billion per year.

## 3. Health

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### 3.1 Health devolution and accountability

Health is fully devolved to the Scottish Parliament, and has been since its establishment in 1999. But state provision of health care has been organised separately in Scotland for much longer. The Highlands and Islands Medical Service, created in 1913, was run by the Scottish Office, and the National Health Service too was under the ultimate authority of the Scottish Secretary rather than the UK Government's Health Secretary from 1948 to 1999.

Health has been a Scottish cabinet level position since the first Scottish Executive in 1999, and has remained the single largest area of functional spending by the devolved Scottish Government. Health accounted for 27% of all devolved public spending in 2024-25.

NHS Scotland is run by a Chief Executive, who combines the role with being Director-General Health and Social Care. It is organised into 22 Health Boards: 14 geographically based board, as well as seven special boards (including NHS 24, the Scottish Ambulance Service and NHS Education for Scotland, among others) and a public health body, Public Health Scotland.

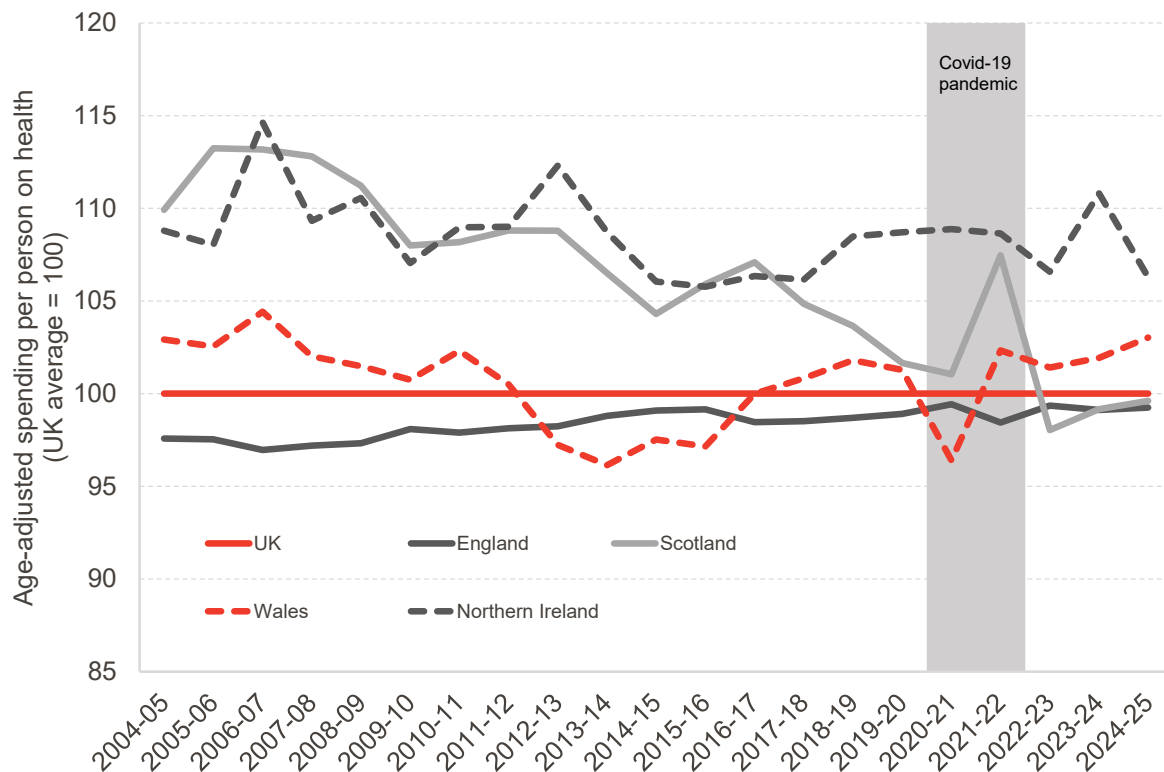
### 3.2 Public spending on health care in Scotland

Expenditure on health care in Scotland is determined through the Scottish Budget and any subsequent revisions, usually conducted in the Autumn and Spring. The Health and Social Care portfolio, however, is one of the most affected by the opaque way in which the Scottish Government budgets, with regular transfers out of it to other portfolios (Finance and Local Government in the case of funding for social care, Education and Skills in the case of funding for training of medical professionals) making comparisons between budgets and outturn data very difficult. Because of this, we prefer to focus on comparing spending by function of government, in which health is itself a separate category.

Figures for growth in spending on health are not meaningful in this Parliament. When the 2021 Scottish Election took place, we were in the throes of the Covid-19 pandemic, and it is therefore unsurprising that less is being spent now than during the acute emergency of 2020-21 and 2021-22. The same is true across every country.

Instead, we are focussing on a broader sweep of time in Scotland, looking back at how spending has evolved in the last twenty years, as shown in chart 3.1.

Chart 3.1: Age-adjusted spending per person on health relative in each nation relative to the UK average



Source: FAI analysis of HM Treasury and OBR data

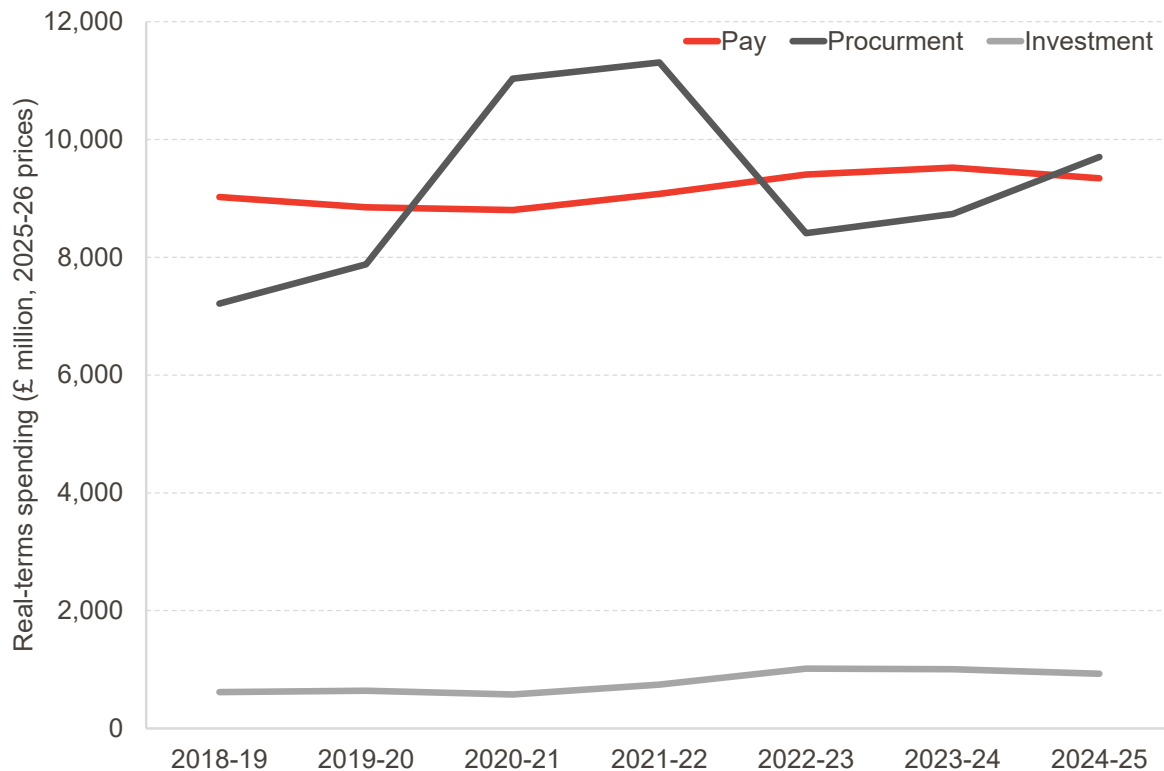
The figure above adjusts for the age composition of the population to reflect the fact that more spending is necessary for a similarly sized population if it is older, but the pattern is the same as when looking at non-age adjusted spending.

In the period since 2004-05, it is clear that Scottish health spending has gone from being 10% higher than the UK average to just below. Part of this is due to Scotland ageing faster than the UK average, but it is mostly due to the choice as to where to allocate funding. Scottish Government funding comes in the form of a Block Grant and general fiscal framework funding, neither of which is tied to any particular function.

The Scottish Government has long stated a commitment to spend health-related Barnett consequential on the Health portfolio. But as discussed before, that portfolio is significantly wider than just health itself. What we can say clearly is that spending is now at essentially the same level as in England and the UK average, having been significantly higher pre-pandemic – even if the convergence trend had already started.

Using the data from our [Scottish Public Spending Dashboard](#), we can also dig deeper into the spending on health carried out by the Scottish Government, as shown in chart 3.2. We break health spending down into pay, investment and procurement. The latter is a varied category, including services contracted out, single-use equipment and agency and bank staff.

Chart 3.2: Scottish Government spending on health by economic category



Source: FAI analysis of Scottish Government and HM Treasury data, based on data from the Scottish Public Spending Dashboard

While pay remains an important component of spending on health, it has only grown at around 0.5% a year in real terms, or 3.5% in total. Pay scales increased by around 5% in real terms in the same period and staffing levels rose by 15%, implying the NHS workforce has become less senior on average over time.

Procurement, on the other hand, has been growing at a rapid pace – over 5% on average year-on-year in real terms, even after abstracting from the completely understandable jump during the pandemic. In 2024-25, it was a larger component of health spending than pay. Supplementary staff spending peaked in 2023-24, after the [Scottish Government specifically directed Health Boards to reduce nurse agency spending in September 2024](#). Drug costs have suffered from high inflation,<sup>2</sup> further exacerbating procurement cost pressures.

<sup>2</sup> See Audit Scotland's report on the NHS in 2024, page 16: [https://audit.scot/uploads/2024-11/nr\\_241203\\_nhs\\_in\\_scotland\\_2024.pdf](https://audit.scot/uploads/2024-11/nr_241203_nhs_in_scotland_2024.pdf) (Accessed 11 February 2026). Some of the figures will differ based on public sector boundary definitions. See the information pages on our [Scottish Public Spending Dashboard](#) for a fuller account of the accounting treatment we used.

### 3.3 What was promised in the 2021 winning manifesto, and has it been delivered?

As mentioned above, the 2021 Election took place in the midst of the pandemic, and any pledges must be seen in that context. In May 2021, it was still unclear how long Covid would be the Government's main preoccupation for.

The central NHS pledge was to increase 'frontline' spending by at least 20%, or £2.5 billion. This is a formulation loved by politicians, but which does not mean much to an analyst. Frontline spending is not a category in the statistics, and so this pledge is unverifiable. It is also unclear whether the £2.5 billion is every year or over the Parliament – which might have given a clue as to how narrow or wide the 'frontline' definition might have been.

What we can say is that spending on health grew by 15% in nominal terms from 2020-21 to 2024-25, and so it is not far off at total of 20% over the course of the Parliament. Real-terms growth was actually negative – but remember that 2020-21 was the height of the pandemic, so that is unsurprising.

The other main NHS-related manifesto pledge was to offer pay deals of at least 4% a year for Agenda for Change staff, which was achieved.

The detailed version of the 2021 SNP Manifesto had a long list of other aims, many of which are not easy or practicable to verify – although some are. Investment spending was a bit below the average necessary to reach £10 billion over a decade, and some of the flagship projects such as the new Monklands Hospital have been pushed into the Investment Development Pipeline, with no indication on when they might actually be delivered – if at all. Dental charges have not been abolished, although prescriptions have remained free.

### 3.4 How has the health service been performing in Scotland?

This is a really difficult question to answer, especially if we want to put into context with other countries of the UK.

Comparing figures across different parts of the UK is challenging and in some areas impossible, which can add to the temptations for politicians to cherry-pick figures – there are always figures that can be found that can make one jurisdiction look better than others, particularly when we are talking about waiting lists ([see, for example, this really helpful blog from the Welsh Chief Statistician on some of the challenges of comparing data](#)).

The Office for National Statistics Coherence Team has been working with the Devolved Administrations across several devolved policy areas, to bring together data that can be compared to see how performance varies across the UK in a more meaningful way. For

example, the [ONS published data on A&E waiting times in February 2024](#), which does allow people to see that a higher percentage of people in England and Wales are waiting longer than four hours in A&E than in Scotland: but that it has always been the case that the Scottish figure tends to be lower. In addition, we can see that the population in England (per 100,000 people) are less likely to attend A&E. Unfortunately, there has not been a subsequent release of these data.

Looking at Scotland specifically and at progress over time from the latest [Public Health Scotland data](#), it is clear that the health service is still in a challenging predicament. The main waiting times are still a long way off the targets:

- 60% of new outpatients patients are being seen within 12 weeks, compared with a target of 95%. This has remained relatively stable over the last two years, however waits of over 52 weeks have now fallen by a third in the last six months. The Scottish Government has committed to eliminating waits of over a year by March 2026, but note that there were still 37,000 in the system at the end of 2025, and PHS note that while the improvement is real, some of it has been exaggerated by a change in methodology.
- The Treatment Time Guarantee (TTG, with a target of 100%) is being met in 59% of cases. The TTG states that once a decision to treat has been made, all patients should receive treatment within 12 weeks. Waits over 52 weeks have been on a downward trend, although this is again affected by some measurement differences.
- 66% of A&E visits are being seen, admitted, discharged or transferred within 4 hours, against a target of 95%. This has remained within the 65-70% range since 2022.

### 3.5 What to look out for in manifestos

Health is likely to be central to most parties' manifestos. It is the largest area of government spending, and remains highly salient, consistently topping concerns in the [Understanding Scotland](#) survey.

One of the areas to pay attention to will be any big commitments on spending going to 'frontline' NHS services. This is a formulation beloved of politicians, but it is analytically meaningless. It does not rely on an agreed definition, and it is therefore unverifiable. We would instead want parties to put forward actual total figures for funding health.

The performance of the NHS is always a political football, even though comparisons across geographies are difficult. It is also likely to be very frustrating to people who really feel that the service they are receiving is not as good as it has been in the past. Voters will likely want to see parties focus on what their plans are to bring care back to the standards that Scotland expects.

One area that is likely to feature heavily is productivity and efficiency savings. The Scottish Government has already included annual savings of over £300 million from the Health and Social Care portfolio, with the vast majority coming from an assumed 3% of recurring savings from NHS Boards. But if these fail to materialise in full, there could be renewed pressure on budgets. Efficiency savings are hard to deliver, and the Scottish Spending Review claims that ‘frontline services’ – that formulation again – will be protected, but it is hard to know what that means and to what extent any efficiency drive will come up against real choices about what to deliver.

Over the course of this Parliament, there have already been proposals to reorganise NHS Scotland into fewer geographical boards. The idea behind these proposals makes intuitive sense from the point of view of consolidating services, but any efficiency savings that rely on a mass reorganisation of the health service need significant thought in terms of how this will be implemented in order to be successful. Not only is there a trade-off between centralisation and addressing local needs, but large-scale transformational programmes have a chequered history in the UK’s health service. The reorganisation of the NHS in England after the Health and Social Care Act 2012 was widely seen as a wrong move<sup>3</sup> and distracting the focus away from health provision.<sup>4</sup> Parties putting forward large transformation plans should expect scrutiny on how they would avoid the mistakes of that episode.

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<sup>3</sup> See, for example, the King’s Fund report on this: <https://www.kingsfund.org.uk/insight-and-analysis/reports/nhs-under-coalition-government-reform> (accessed 18 February 2026).

<sup>4</sup> See the summary of the Darzi Report: <https://www.gov.uk/government/publications/independent-investigation-of-the-nhs-in-england/summary-letter-from-lord-darzi-to-the-secretary-of-state-for-health-and-social-care> (accessed 18 February 2026).

## 4. Adult social care

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Social Care is a fully devolved policy area in Scotland. While the statutory responsibility for delivery of social care sits with local government (see more below), over the last two decades the Scottish Government have increasingly made commitments which are relevant to social care. This has been for a number of reasons:

- A recognition that the health and social care sectors are inter-linked, and that issues in either one are likely to spill over into the other;
- A desire to see more equity between roles in provide health care and social care, including in particular a desire to see all social care workers get the real Living Wage; and
- A drive to standardise and centralise care across Scotland, through the creation of the National Care Service – which, of course, has ultimately been abandoned.

In this chapter we focus on adult social care – provided for both older adults and working age adults with care needs.

### 4.1 How adult social care works in Scotland – accountability and funding

Adult social care in Scotland is funded through a mix of Scottish Government funding, local authority resources, and financial contributions from individuals following assessment.

Local authorities have statutory responsibility for adult social care, including assessment of need, eligibility decisions and oversight of service quality. Since the integration of health and social care, most adult social care is strategically planned through Integration Joint Boards (IJBs). IJBs bring together local authorities and NHS boards and oversee delegated budgets from both partners.

IJBs are responsible for strategic planning and commissioning decisions, but they do not directly deliver services nor do they commission services. Services are delivered either directly by local authorities or local authorities commission services from third sector and independent providers (both non-profit and for-profit). Local authorities are legally and operationally responsible for the procurement of services and managing service delivery and although budget decisions are delegated to IJBs, the budget itself stays within local authorities.

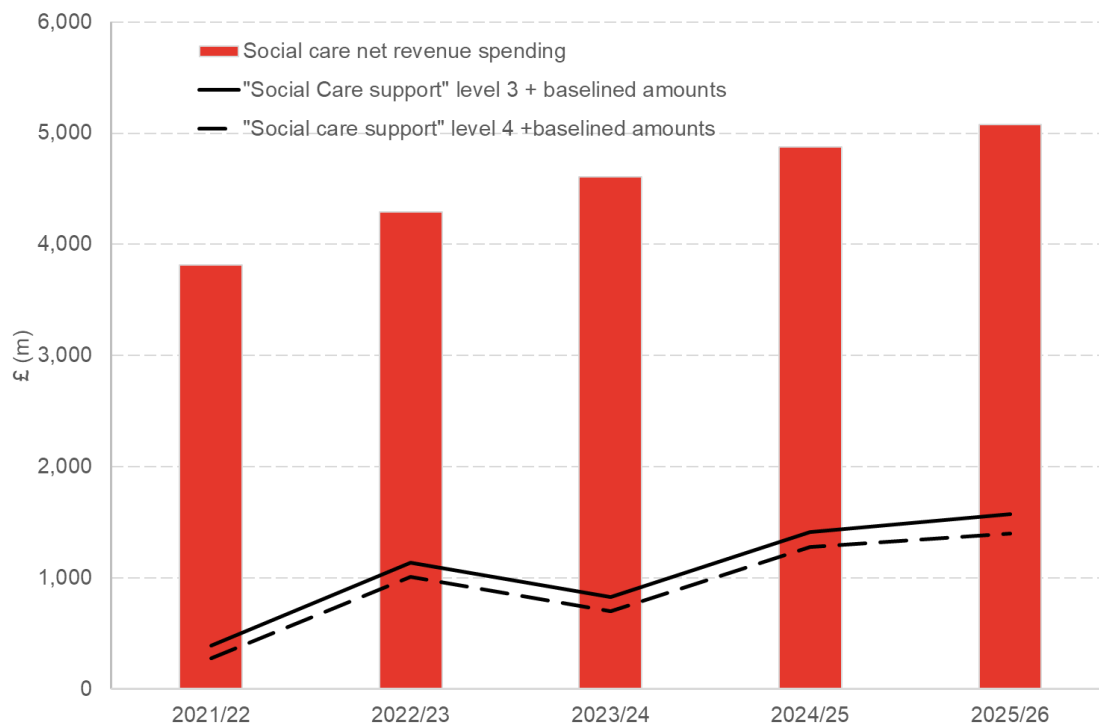
The number of bodies involved in the delivery of adult social care make tracking money through the system extremely difficult. Funding comes from a number of sources, including from Scottish Government (ring fenced and through General Revenue Grant funding), fees and charges from service users, and from local authority monies raised from Council Tax or raised from reserves.

This report is focussed on the Scottish Parliament Election, and therefore the key thing we are interested in is how much Scottish Government puts into the system.

The Scottish Government will point to funding lines within the Health and Social Care portfolio. However, this figure, even when 'baselined' amounts are included (more on that later) is not the total amount contributed by the Scottish Government because Local Authorities use money from the General Revenue Grant to contribute to adult social care as part of their statutory responsibilities.

We can still say with certainty that Scottish Government does not directly fund all of Local Government's expenditure on adult social care through the Health and Social Care lines. This practice of both baselining some funding in some years, and providing extra monies through the Health and Social Care portfolio to fund particular initiatives (e.g. uplifts in pay) which will be recurring, makes the picture on the overall funding of the sector a little muddy (see more in box below).

*Chart 4.1: Local Government Net Revenue Spending on Social Care compared to committed funds from Scottish Government*



*Source: Local Government Finance Statistics, POBE, Scottish Budget and Scottish Government*

## 4.2 Promises in the 2021 manifesto

The last election came swiftly on the heels of the independent review of adult social care (IRASC, also known as the 'Feeley' review after Derek Feeley who led the review).

The IRASC recommended a major structural change giving Scottish ministers accountability for social care and this was part of the SNP manifesto in 2021.

The 2021 SNP manifesto included a promise to establish a National Care Service by the end of the parliament with national pay settlements, as well as the abolition of non-residential care charges. There is overlap between these issues, but here we will look at each of these related promise in turn.

#### 4.2.1 Structural form and shifting accountability

The main thrust of the proposed National Care Service was to remove local authorities as the accountable body and move to a model similar to health, where NHS Boards deal with strategic planning and commissioning and are directly accountable to Ministers. There was no change proposed for how social care would be delivered and NHS Boards could have continued to commission Local Authorities to deliver services alongside the third and private sector.

Keeping up with the twists and turns in the legislation has not been easy, but SPICe kept up to date and have brought all their articles charting progress, or the lack of, together [here](#). The main point of contention was the removal of accountability from local government, along with a large amount of disquiet from stakeholders that the structural changes within the legislation would lead to a lot of time and resources spent on rearranging structures without any guaranteed improvements for those receiving social care.

The final nail in the coffin of the NCS came in January 2025, when the Social Care Minister announced that Part 1 of the NCS Bill, which included all the substantive sections on structural reform and accountability would be removed. The name of the Bill was changed to the Care Reform (Scotland) Bill and included the following:

- **Anne's Law:** Ensures people living in adult care homes have the right to see loved ones, preventing blanket visiting bans.
- **Unpaid Carers' Rights:** Establishes a legal right to short breaks from care, with duties for local authorities to support this.
- **Data Sharing & Information:** Enables secure, efficient sharing of information between health and social care services, improving record integration.
- **Independent Advocacy:** Improves access to advocacy to ensure people are involved in their own care decisions.
- **Strengthened Regulation:** Enhances the Care Inspectorate's powers to scrutinize and enforce compliance in care services.

### 4.2.2 Care charges

The IRASC also recommended abolishing charges for non-residential social care services, such as home management assistance, day care and social activities, community alarms, telecare, and meal or lunch club provision.

The SNP 2021 manifesto included a commitment to end non-residential care charges and, as noted in a recent briefing for [JRF from SWBC and GDA](#), this commitment has been recommitted to annually in each Programme for Government since. However, they also say that “[n]either the Scottish Government nor COSLA have published any detailed information on progress towards this or what is meant specifically by the commitment.”

### 4.2.3 National pay settlements

On staffing, the IRASC recommended establishing national pay and employment standards for the social care workforce to address low pay, insecurity, and inconsistent conditions. This included a national job evaluation, minimum terms covering pay, travel, sick leave, training, progression and pensions, and the creation of a national forum to guide workforce planning and collective bargaining. It also called for national oversight of recruitment, training, development, and retention to professionalise the sector and ensure fair, consistent treatment of workers across Scotland. This was reflected in the SNP manifesto vision for the National Care Service.

Much (although not all) of the additional money that the Scottish Government has allocated to social care through the Health and Social Care portfolio (that can be seen in Chart 4.1, and is discussed further in section 4.2.4 below) has been notionally hypothecated to “fund” the increase in social care wages to the level of the real Living Wage.

However, there are a number of issues with the amounts that have been set aside to fund this:

1. It is unclear if this is being funded to the correct degree, as the Scottish Government does not have information on the pay of social care staff. The detail of the calculation of the amount to “fund” this is not published by the Scottish Government, but we know it is not based on actual pay.
2. In the budget for 2026-27, the Scottish Government did not fully fund the uplift, as the National Living Wage had increased above the previous RLW level, and the Government said that element of the uplift was the responsibility of employers. This was a departure from previous years where the increase from the level of RLW from year to year had been funded. As [set out in a briefing](#) from the Coalition of Care and Support Providers (CCPS), this will result in a funding shortfall of about £15m for adult social care.

‘Ethical procurement’ was also part of the how the NCS would improve pay and employment standards. In simple terms this, this would have required a shift away from transactional, price-led commissioning toward approaches centred on relationships, quality, workforce and person-centred outcomes. Despite the shelving of the NCS, the Scottish Government continues to state that they remain committed to improving quality, fairness and consistency across the social care system, but there is so far little tangible progress that has been made.

#### 4.2.4 A 25% increase in “social care investment”

The Scottish Government stated in Parliament that they have met a commitment laid out in 2021 to increase “social care investment” of the period of the parliament 2 years early. The commitment was as follows:

“[A]s a minimum we will increase public investment in social care by 25% over this Parliament – providing over £800 million more by 2026 27.”

This commitment originated in the 2021 Scottish Parliament election manifesto alongside the commitment to the establishment of the National Care Service. Although the NCS has not gone ahead, the Scottish Government have been keen to point out that this investment was made.

We wrote at the time: “Although not clear in the PfG, we understand that this will be an additional per annum figure by the end of the parliament. Their exact definition of social care that the 25% increase relates to is a little hard to follow, and whether the £800m is a cash or real terms increase is not made explicit (we assume it’s the former).”

The ‘over £800m’ has become a more specific £840m since the Resource Spending Review in 2022. Whilst the Scottish Government (as far as we know) haven’t publicly set out their workings on this, officials were able to point us in the right direction.

Within the Scottish Budget documents is a table that is has been variously titled ‘Social Care Investment’ or ‘National Care Service/Adult Social Care’ over the years. This is where the Scottish Government has calculated its increases.

The total amount allocated in this table was £395.3m in 2021-22. The table for the 2024-25 budget was £1,040.1m, showing growth of £644.8m.

An accounting change in 2023-24 which shifted £375m previously counted in this table to the Local Government settlement (following the Verity House agreement) has also been added to the figure. Taken together, the additional spending since 2021-22 is £1,020.6 in cash terms, which the Scottish Government points out is larger than £840m.

The Scottish Government’s claims therefore seem to be accurate. Most of the money the Scottish Government has ‘invested’ was related to uplifts to staff pay (as discussed above) and this reaches the adult social care sector through Local Government.

Chart 4.1 shows that net expenditure on social care between 2021-22 and 2024-25 has also increased significantly over the period, by around 28%. However, this needs to be seen in the context of the wage inflation that would have been experienced for many of the workers in social care, which is around 27% over the same time period.

This also needs to be paired up with other increasing costs of delivering social care services, including the increases in employer National Insurance Contributions. A worker who is full time on the real Living Wage associated employer NICs cost would have gone from:

- £2,135 in 2024-25; to
- £3,184 in 2025-26; an increase of 49% for each worker.

So it seems likely that the “amount” of social care that is delivered may have actually decreased over the parliament, particularly in the most recent year given additional cost increases, which is tricky given the increasing demand on services. This may explain why (whilst the government is emphasising the increased investment in social care) many in the sector feel like it is in crisis, with less funding around. Both things can be true; more investment has happened, but it has not been enough to outstrip increased costs, and certainly not to deal with increasing demand.

## 4.3 What to look out for in manifestos

### 4.3.1 What the parties will say about funding

There is likely to be more funding promised for adult social care given the recognition for increasing demand for services. As the complicated explanations above about social care investment demonstrate, the key point will be to interrogate what the parties’ commitments refer to and how they will work in this complicated delivery landscape.

### 4.3.2 Where policy priorities collide – social care support and disability and carer benefits

The adult social care system is not the only way the Scottish Government support people with disabilities or long term ill health. Since 2016, Scotland has had devolved responsibility for disability and carer benefits, which directly provide cash to households with additional costs or caring responsibilities. Up until now, there has been little policy discussion about how these two systems interact, yet disabled people and their carers in Scotland could well be in receipt of social care services and social security support – changes to one can therefore effect demand for the other.

In 2025, [we published the findings from our project researching the financial security of people with learning disabilities in Scotland in collaboration with SCLD](#). The research took place throughout 2024 and gathered a mix of qualitative and quantitative data from

24 participants with learning disabilities across Scotland. 21 participants were able to answer questions on their finances as part of the research.

One relationship we explored in our publication was whether participants' perception of how they managed financially was better when they received adequate social care.

15 of 21 participants' experiences were in line with the hypothesis that adequate care may correlate with participants feeling they have enough money. Of the 6 participants whose responses did not align with this hypothesis, 4 felt they had enough money but not enough social care. This was mostly due to a lack of care resource in their local area or having care hours cut. The two participants who were happy with their social care but not their money received unpaid care from family members

The findings suggested that social care and financial security are closely linked: adequate care can reduce financial stress, but it cannot replace adequate income. This points to the importance of viewing social care and social security as interconnected systems – both essential to people's overall security and wellbeing.

It will be interesting to see if any manifestos attempt to 'join up' policy in this area. But it will be important to scrutinise fully. In our analysis of this area, we are likely to:

- Reflect on the temptation to see overlap as duplication – these systems serve *complementary* functions.
- Highlight the risks of oversimplification (e.g. assuming people can “make do” with social security if social care is limited).
- Flag the importance of designing policy that *optimises* how the two systems work together, rather than shifting costs or responsibility between them.

#### 4.3.3 Unmet need, demographic change and the NHS

In policy circles, most discussions are about how to fund (or how to reform) the existing system. However, IRASC made clear that there is a lot of unmet need for social care.

Plans for the National Care Service that were produced never made clear how this would be addressed. We have raised that increasing costs are putting existing delivery under pressure, and with an ageing population, the existing system is going to become increasingly hard to fund.

Given the lack of demand modelling for the future, we don't even know how many people under existing eligibility criteria will need support in the future – let alone those who currently don't receive support.

A key thing to look out for – how will social care be talked about in relation to sustainability of health budgets. Often politicians will frame social care reform as necessary for the sustainability of the NHS – which oversimplifies – but issues with getting care packages to allow people to get out of hospital is a problem. The likely reduction in the capacity of the system to provide social care in recent years is likely to have exacerbated this.

## 5. Post-school education

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Post-school education is a fully devolved area to the Scottish Government. For the purposes of the chapter, we will be focussing on funding to Universities and Colleges, which maps to the “Post-School” or “Tertiary” Education line in the FAI/JRF Public Spending Dashboard. This means we won’t be including spending on apprenticeships (such as through Skills Development Scotland).

### 5.1 Post-school education – public funding and accountability

Public funding for Scotland’s universities and colleges comes through two main channels: direct institutional grants from the Scottish Funding Council (SFC) and publicly funded student support delivered through the Student Award Agency for Scotland (SAAS).

For universities, the SFC provides grant funding that supports the public objectives of the sector, most notably learning and teaching, research capacity, and (through specific streams) innovation and knowledge exchange. Each year SFC publishes allocation information that sets out how much public funding it will provide to individual institutions and the basis on which that funding is distributed, alongside technical guidance for how particular allocations operate (for example, around funded places in specific subjects).

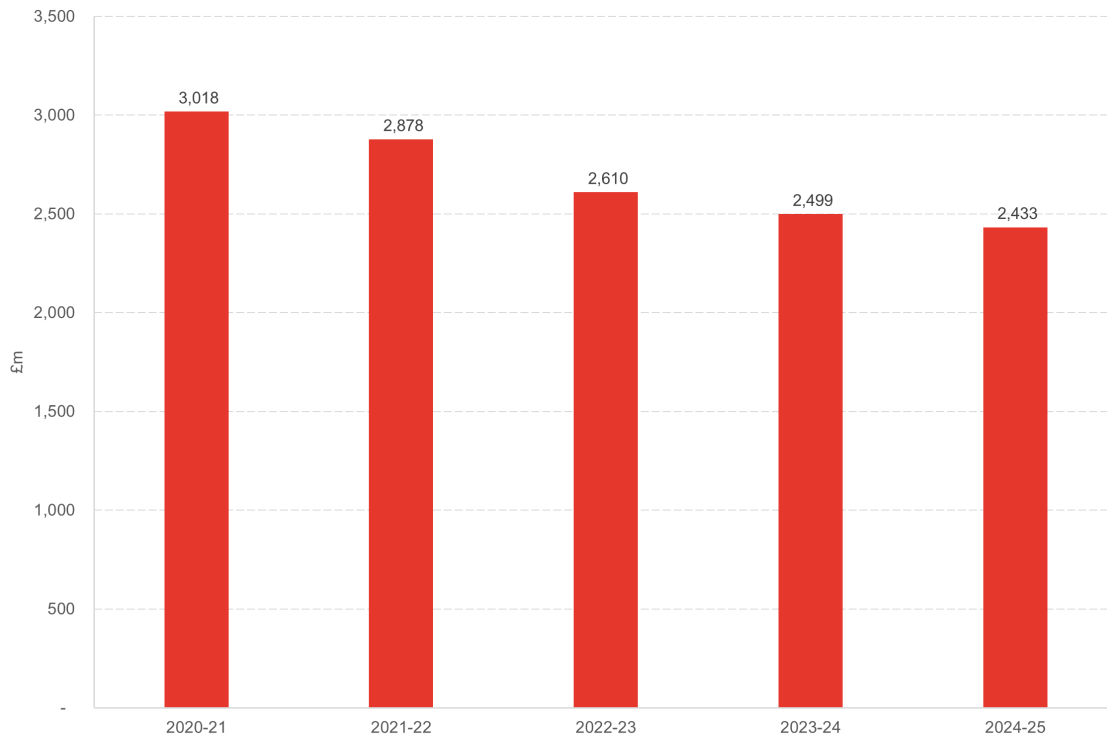
Alongside SFC grants, an important part of public funding for university teaching in Scotland is the tuition that is paid on behalf of eligible students. For Scottish-domiciled students studying full-time at Scottish institutions, tuition is typically covered through the student support system: students apply to SAAS, and SAAS pays the tuition fees to the university or college for eligible learners (subject to rules and limits). This means institutions experience that support as a significant, recurring public income stream linked directly to enrolment.

For colleges, SFC is the main route for public revenue funding. SFC makes final funding allocations to the college sector and attaches formal conditions of funding, including requirements that colleges (and regional strategic bodies, where relevant) deliver activity aligned to SFC’s outcomes expectations and comply with the sector’s financial governance requirements.

A central mechanism for governance and accountability across both sectors is the Outcome Agreement. SFC describes Outcome Agreements as setting out what colleges and universities plan to deliver in return for the funding they receive. These agreements are the core “contractual” device that links public funding to commitments on areas like access, learning, economic contribution, and institutional sustainability, and they provide a basis for SFC’s monitoring and engagement with each institution.

## 5.2 Trends in Spending over the parliament

Chart 5.1: Post School Education Spending (Real Terms, 2025-26 prices)



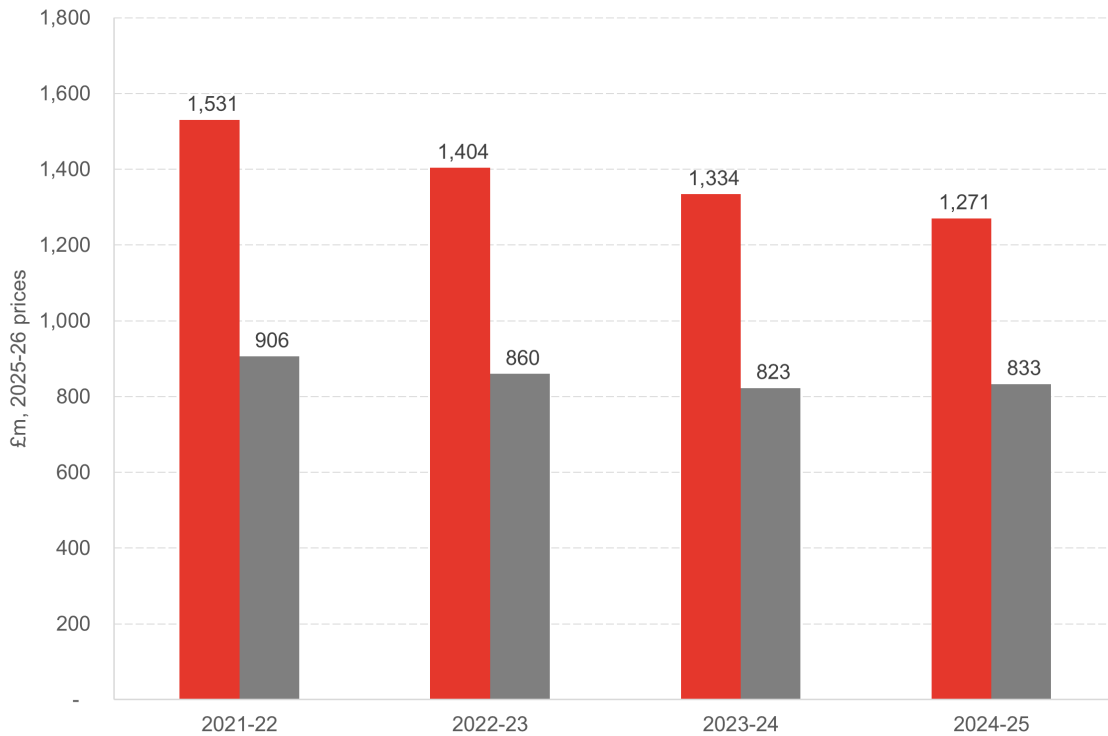
Source : FAI & JRF Public Spending Dashboard

Post-school education funding has decreased significantly in real terms over the parliament, decreasing by 15% between 2021-22 and 2024-25. This includes the funding given to tertiary institutions by the SFC, and income paid to institutions by SAAS.

When breaking this down by institution type, and just considering SFC funding, we can see that this squeeze has happened in both sectors, although the biggest real-terms decrease has been felt by Universities. Since 2021-22, University funding from the SFC has contracted by 17% in real terms, compared to 8% over the same period for colleges (Chart 5.2).

Audit Scotland, in a [recent report about college finances](#), said that “net resource allocation” for colleges has decreased by 20% over the parliament. Their analysis included 2025-26, and seems to be just in reference to resource spending.

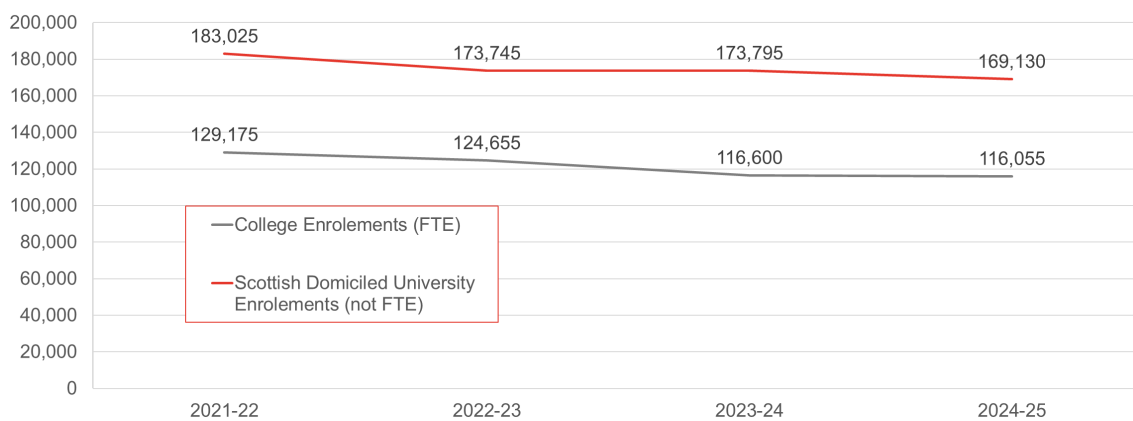
**Chart 5.2: University and College Funding from the Scottish Funding Council (Real Terms, 2025-26 prices)**



Source: Scottish Funding Council Annual Accounts

Enrolments in institutions have also fallen over the parliament, with FTE places at colleges contracting by 10% between 2021-22 and 2024-25, and Scottish domiciled enrolments at University falling by 8%.

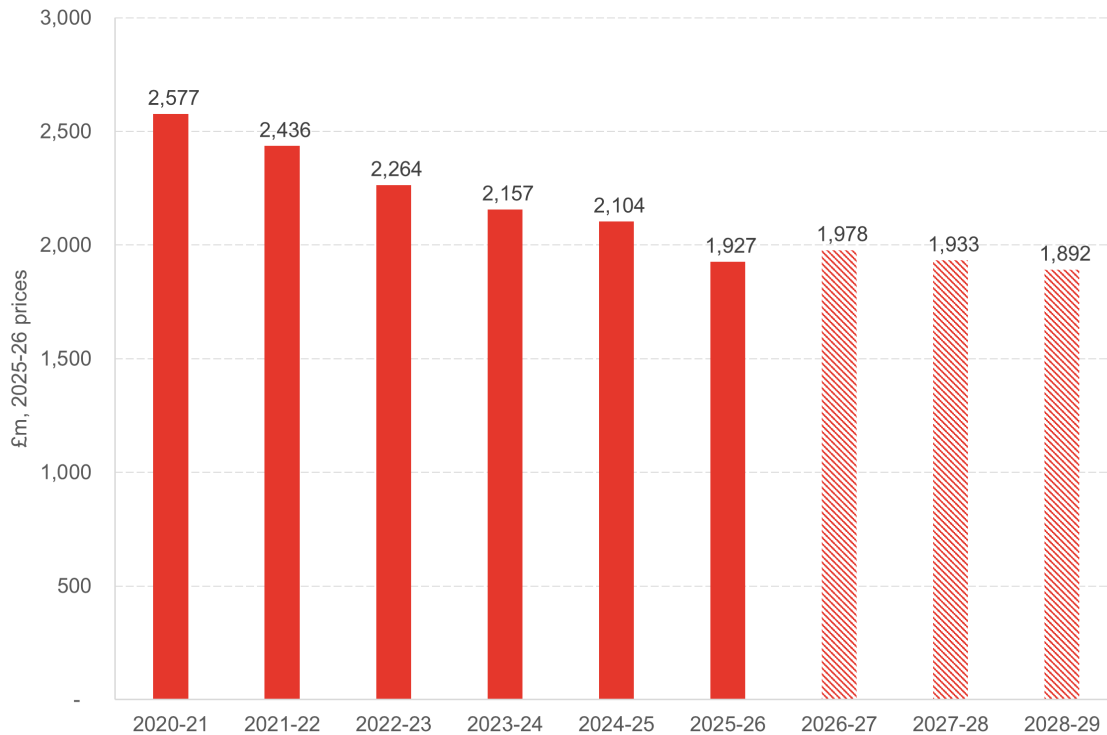
**Chart 5.3: Enrolments at University and College (FTE for colleges, non-FTE for Universities)**



Source: HESA, Scottish Funding Council College Statistics

The outlook for spending from the Scottish Spending Review suggests that the spending squeeze on post-school education is likely to continue. On current plans from the spending review, the SFC budget will go down by a further 10% in real terms compared to the 2024-25 level by 2028-29.

*Chart 5.4: Scottish Funding Council Budget (2020-21 to 2028-29, Real Terms, 2025-26 prices)*



*Source: Scottish Government (Budget & Spending Review)*

### 5.3 Commitments in the 2021 manifesto

The commitments relating to universities and colleges in the 2021 manifesto were fairly limited. Most high profile and enduring is the commitment to free tuition for Scottish domiciled students, which remains the policy of the Scottish Government as it goes into the next election. This, alongside free prescriptions, has been part of the mantra on the “social contract”, that citizens will be happy to pay more tax overall if it means more extensive services.

There were commitments for both Universities and Colleges to respond to the Scottish Funding Council Review on “coherence and sustainability” in further and higher education. While this has been done, along with a number of other reviews of the skills system in Scotland (Including the Withers Review and the Purpose and Principles work), it is fair to say that it has not tackled the underlying issues in the sustainability of these institutions.

There was also a commitment to a Young Person's Guarantee, to fund an offer to college, university, apprenticeship, training or job opportunity for every young person who wants it. This has been rolled into employability delivery for No One Left Behind, and progress reports and evaluations suggest that good progress has been made, there has not been a recent assessment of whether or not the guarantee has been fully successful.

## 5.4 What to look out for in the manifestos

It is likely that many of the parties will continue to support the idea of free tuition, as it has become an idea so embedded in Scotland that many parties find it difficult to question.

However, there does seem to be a consensus across the political spectrum that the current funding position of universities and colleges is not sustainable. The Scottish Government and Universities Scotland announced in December the launch of a new, joint process that will co-design a Framework for a successful and sustainable future for Scotland's universities for the next 20 years.

It is the first fundamental look at how to secure the sustainability of Scotland's universities since 2010/11. It will consider the sector's full contribution to Scotland, with research and innovation in scope alongside teaching and skills development.

The *Framework for the Sustainability and Success of Scotland's Universities* will explore options for ensuring a sustainable and successful future for Scotland's 19 higher education institutions to 2045. In doing so, it will address the extent of funding challenges facing the sector and it will focus on positioning institutions ahead of the curve of a raft of anticipated changes to the nation's demographics, its workforce needs, emerging industries and digital advancements.

The Framework's remit is to consider options within the publicly funded model for undergraduate education for Scots, which recognizes the broad political consensus behind this position.

The consensus around the need for this work may lead to the outcomes of the review featuring in some manifestos – i.e. many parties may support the work and commit to considering the recommendations that emerge from it. Given (at least since the last election) there has been a greater focus on growth, it will be possible that the role of universities in research, innovation, commercialisation and even trade will feature in parties' policies about the sector to a greater extent than in the past.

Colleges are also embarking on a similar exercise to think about the future given the funding difficulties many are having. Box 5.1 discusses the role colleges can have in poverty reduction which could feature in manifestos more than in the past, especially given the link to employability and reductions in inactivity.

### *Box 5.1 What role do colleges play in reducing poverty?*

In the Scottish Budget for 2026-27, uplifts in college funding were presented as an important part of the Government's approach to improving the cost of living and reducing poverty.

As shown in a research report from 2023, college education tends to be a more common route of further and higher education for those from more deprived areas, due to the more diverse pathways available and the location of colleges. This is also true for students with disabilities and those who are care-experienced.

Having a college degree can open doors to higher earnings. Colleges can therefore help improve household incomes and reduce poverty rates across Scotland. Households with higher earnings pay more in taxes and require less support in the form of benefits, which results in more money available to the Scottish Government to fund public services.

We estimate that about 470,000 working people in Scotland have college or the equivalent as their highest level of education. Below, we estimate the impact of those degrees on household incomes, poverty, and the fiscal balance.

#### ***The impact of colleges***

We estimate that through their impact on earnings, colleges in 2026-27 will:

- Increase tax revenues by £170 million and reduce the cost of benefits by £25 million, leading to a £195 million net positive contribution to the fiscal balance; and
- Keep 5,000 people out of relative poverty, 15,000 out of absolute poverty, and 10,000 out of severe poverty.

Overall, 400,000 households, and around 250,000 children, benefit from higher income earned by those with college-level education.

#### ***How we know***

We model the impact of colleges using a method called microsimulation. A microsimulation model takes household survey data, including information on different sources of household income, and applies the system of taxes and benefits in Scotland to estimate financial outcomes.

We estimate the impact of colleges by taking the difference in median hourly wages between those with a college-level qualification as their highest qualification and those with Highers-level qualification as their highest qualification. We then simulate a scenario in which everyone with a college-level qualification only has a Highers-

level qualification by subtracting this difference from their hourly wages. This is a relatively high-level way of estimating impacts.

***What isn't captured***

In our analysis, we don't include the impact of different employment rates for different levels of education. People between the ages of 25 and 64 with college and Highers-level qualifications (working age, but who are more likely to have completed their education) do not have very different employment rates, so this would not be likely to have a big effect.

We also cannot account for the impact of non-terminal college degrees. For example, a person whose attendance at college then led to a university degree would not be captured in the "no colleges" scenario.

Our second scenario represents a case where colleges are completely unavailable, but nothing else in the economy changes. In reality, if colleges didn't exist, the labour market would probably look very different. It is hard to say how different, and how this would affect our results.



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