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Online event

@TheIFS

Funding, spending, taxes and benefits in the 2026 Scottish elections



Economic
and Social
Research Council



Funding, spending, services – the context for these elections

Devolved responsibilities and funding

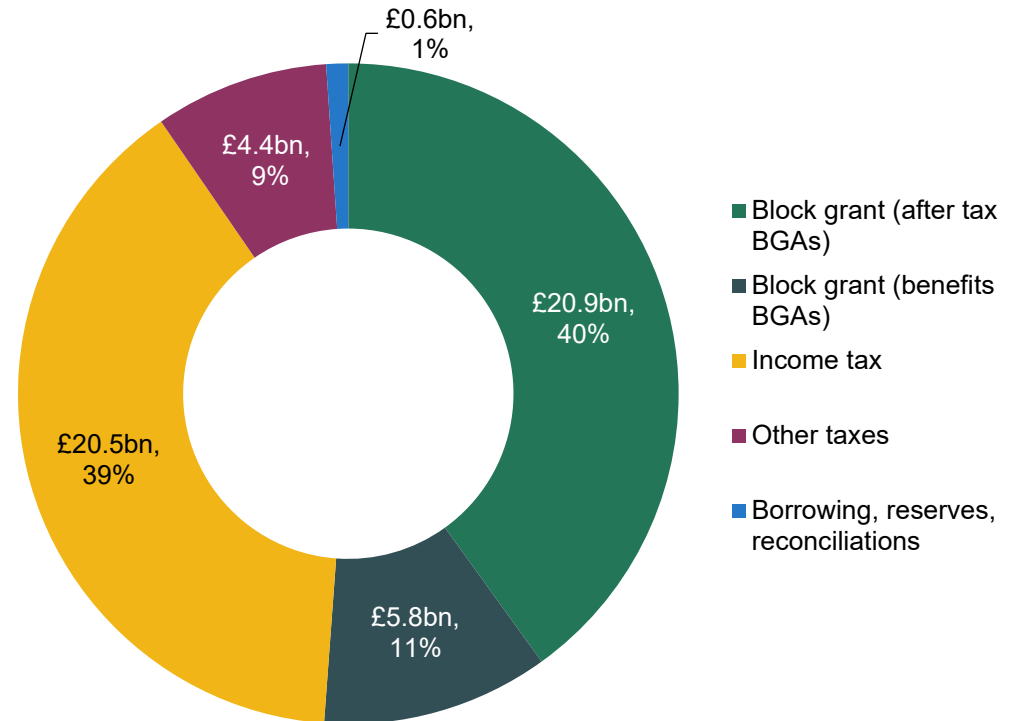


- Health
- Education
- Local government
- Police and justice
- Economic development
- Housing and planning
- Environment & rural affairs
- Culture and sport
- Transport
- Some benefits

Not immigration, defence,
energy, competition policy

Funding in 2025-26

- £7 billion for capital investment
- £52 billion for day-to-day spending

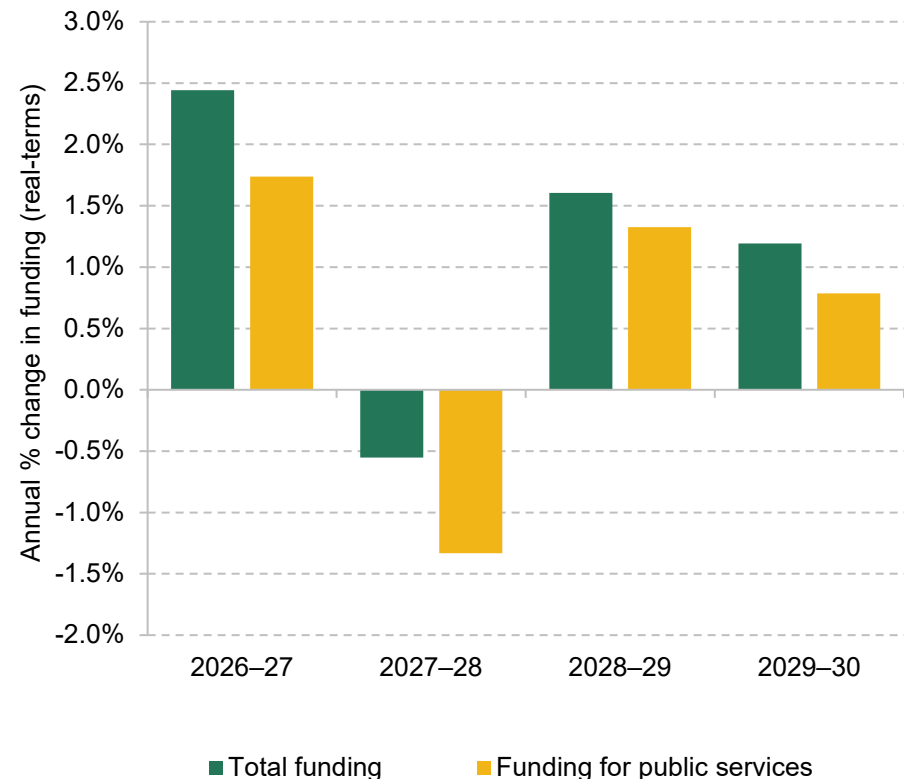


From (relative) feast to famine



- Funding for day-to-day spending increased 2.3% a year above economy-wide inflation from 2019-20 to 2025-26
 - 1.7% a year per person
- Scottish Government received nearly 26% more per person from UK government than it spent on comparable services in England in 2024-25
- But funding growth now set to slow down as UK govt tries to reduce budget deficit
 - And Scottish policies adding to the pressures

Slowdown in funding growth – even with optimistic tax forecasts



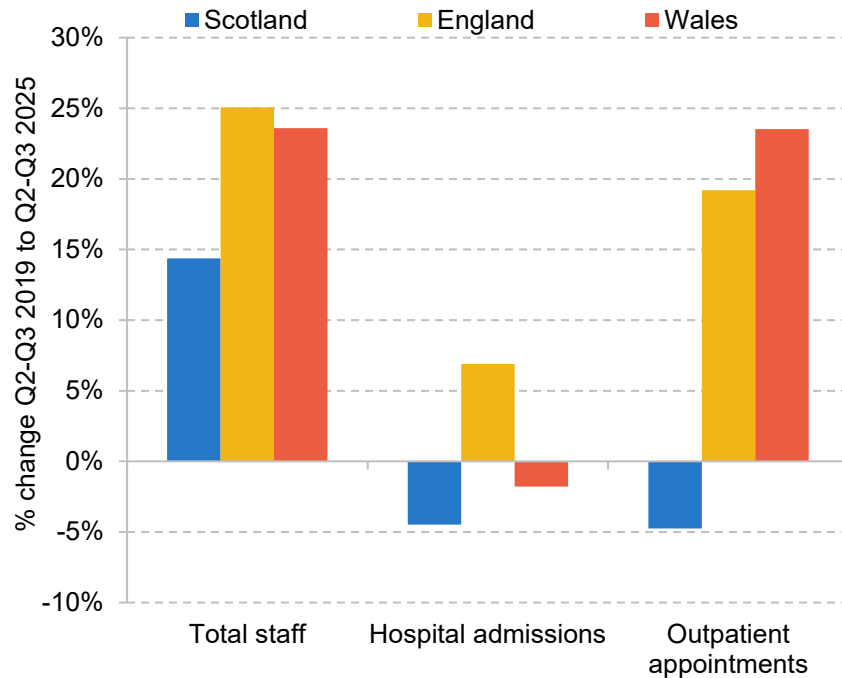
Source: authors' calculations based on analysis in 'Recent changes and the future outlook for Scottish Government funding', Brogaard and Phillips, 2026

Public service performance is poor



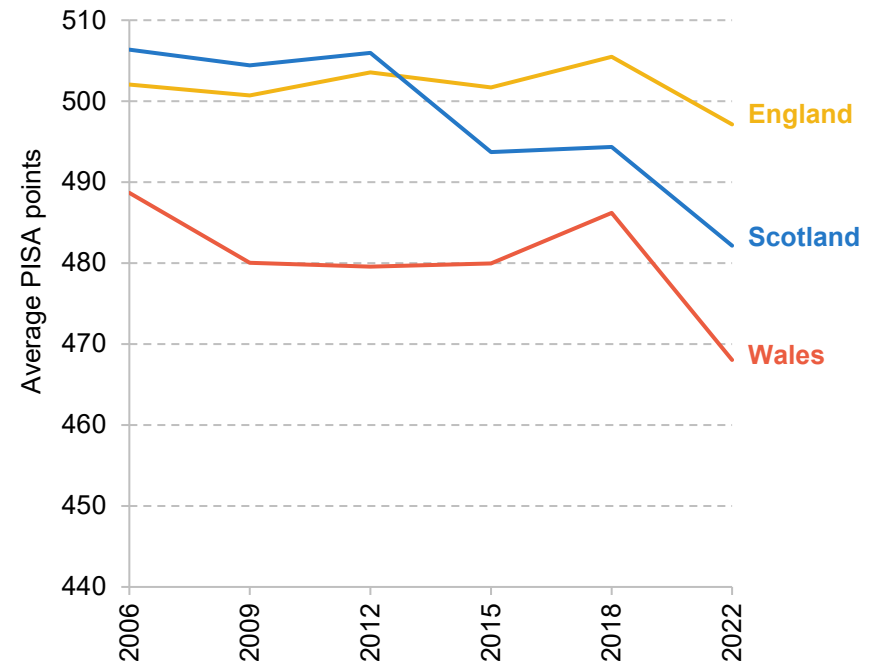
- Still much longer NHS waiting times than pre-pandemic
- Decline in schooling standards relative to England, with 29% of pupils persistently absent

Hospital staffing up but hospital activity down



Source: Figure 17 of 'Public service spending and performance in Scotland', Brogaard et al., 2026

Performance in internationally comparable school tests fallen



Source: Figure 18 of 'Public service spending and performance in Scotland', Brogaard et al., 2026



Public spending & services – what are the parties proposing?

- Some parties set out plans for overall health and social care spending
 - **SNP**: will pass on all day-to-day NHS consequential; £10bn capital over 10 yrs likely lower in real terms than current Spending Review plans
 - **Labour**: at least £25bn by 2030–31 → almost flat in real terms from 2028–29
 - **Conservatives**: funding growth above inflation every year or a £1 billion top-up to existing plans?
- Some similarities on policy
 - Everyone wants better performance, but hard to achieve!
 - All want more primary/community care, more prevention, better technology
 - Differences in scale, but limited details
 - **Greens** want substantial expansion, inc. free dental treatment and non-residential social care, very large expansion in GPs (0.65 → 1 per 1,000)
 - **Reform** have limited details, want an ‘ambitious review’

- Several parties make pledges on school staffing
 - **Greens** would reduce class sizes from an average of 23 to a maximum of 20 and reduce teacher workloads
 - **SNP** would (at least) maintain pupil-teacher ratios, guarantee trainee teachers a job
 - **Labour** would create 2,000 specialist ‘recovery’ teacher roles (until 2028) and recruit 1,500 extra classroom assistants
 - **Conservatives** propose 1,000 extra classroom assistants
- Distinct visions for future of Scottish schooling
 - All suggest banning mobile phones
 - **Reform**, **Conservatives** and to some extent **Labour** propose more testing, benchmarking and new behaviour standards
 - **Greens** and **Liberal Democrats** emphasise play-based learning for young children, and continuous teacher-led assessment

- All parties bar Reform propose expanding childcare provision
 - **Greens** would provide universal childcare 1,140 hours of free childcare for all 2-year-olds, and 570 for all aged 6 – 24 months (with the option to instead choose a cash payment at younger ages)
 - **Conservatives** propose 1,140 hours of free childcare a year from 9 to 36 months for working parents – similar to England
 - **SNP** propose means-tested system of support from 9 months to age 12, with estimated £500m cost potentially optimistic
 - **Labour's** proposals more modest – top-up support from UK government's tax-free childcare (increasing subsidy from 20p per £1 of childcare spending, to 27p per £1)
- Effects will differ between whether use formal childcare currently or not
 - If do, largely a cost-of-living policy
 - If don't, may start, with potential impacts on child development and labour supply
- Different proposals would affect work incentives differently
 - Restricting to in-work families would increase financial work incentives
 - Means-testing on income would reduce financial work incentives

Infrastructure and housing

- All parties propose investment in rail services
- Roads and cars a dividing line
 - **Reform** and **Conservatives** propose major road building
 - **SNP** and **Labour** highlight some priority schemes, and like the parties of the right highlight potholes as an issue
 - **Greens** signal opposition to major new road schemes
- Active travel and net zero the reverse of this
- Housing as a key issue
 - **Greens**, **SNP**, **Labour** pledge increases in social & affordable housing construction – SNP above and beyond their own Jan 2026 plans
 - **Conservatives** and **Labour** suggest planning reforms to ease development
 - **Reform** propose tighter planning and local connections for social housing
- Rent controls as a big dividing line
 - **Reform** and **Conservatives** oppose
 - **Greens** would double down with tight rent caps – alongside tax changes, risky

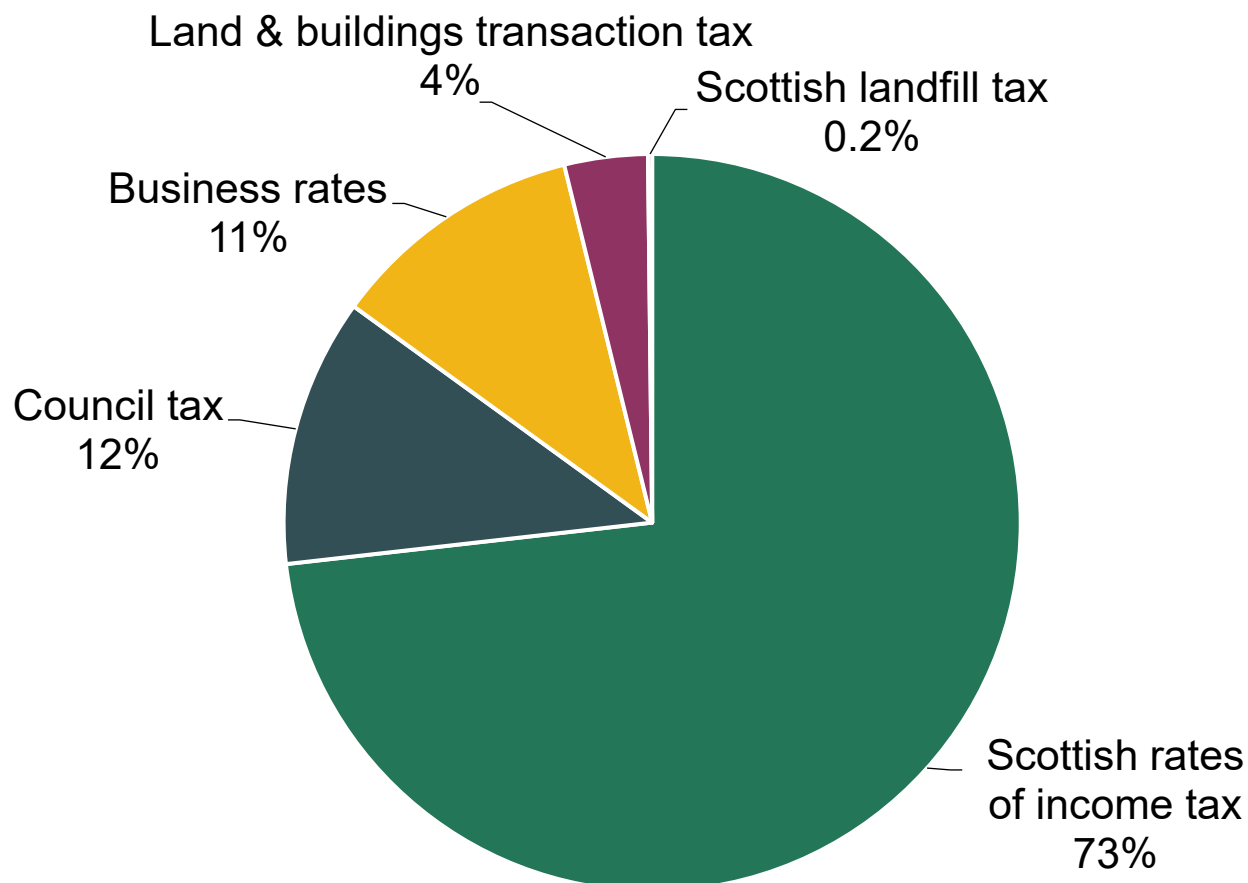
Cost of living

- **SNP** propose price caps for 20–50 essential foods
 - High food prices driven by international prices, not big increases in retailers' margins
 - Design matters but range of potential adverse consequences, e.g. shortages of the cheapest lines the cap would apply to, product reformulation
 - Unclear Scottish Government has authority to implement
 - Could compensate households through cash transfers instead
- **Greens** propose free buses, dentists & FSM expansion
- **SNP** pledge £2 bus fares, primary school bags & FSM expansion
- **Labour** focus on bus system reform, rather than headline pledges on fares; review but not commit to FSM expansion



Taxes & benefits

Devolved taxes, 2025–26

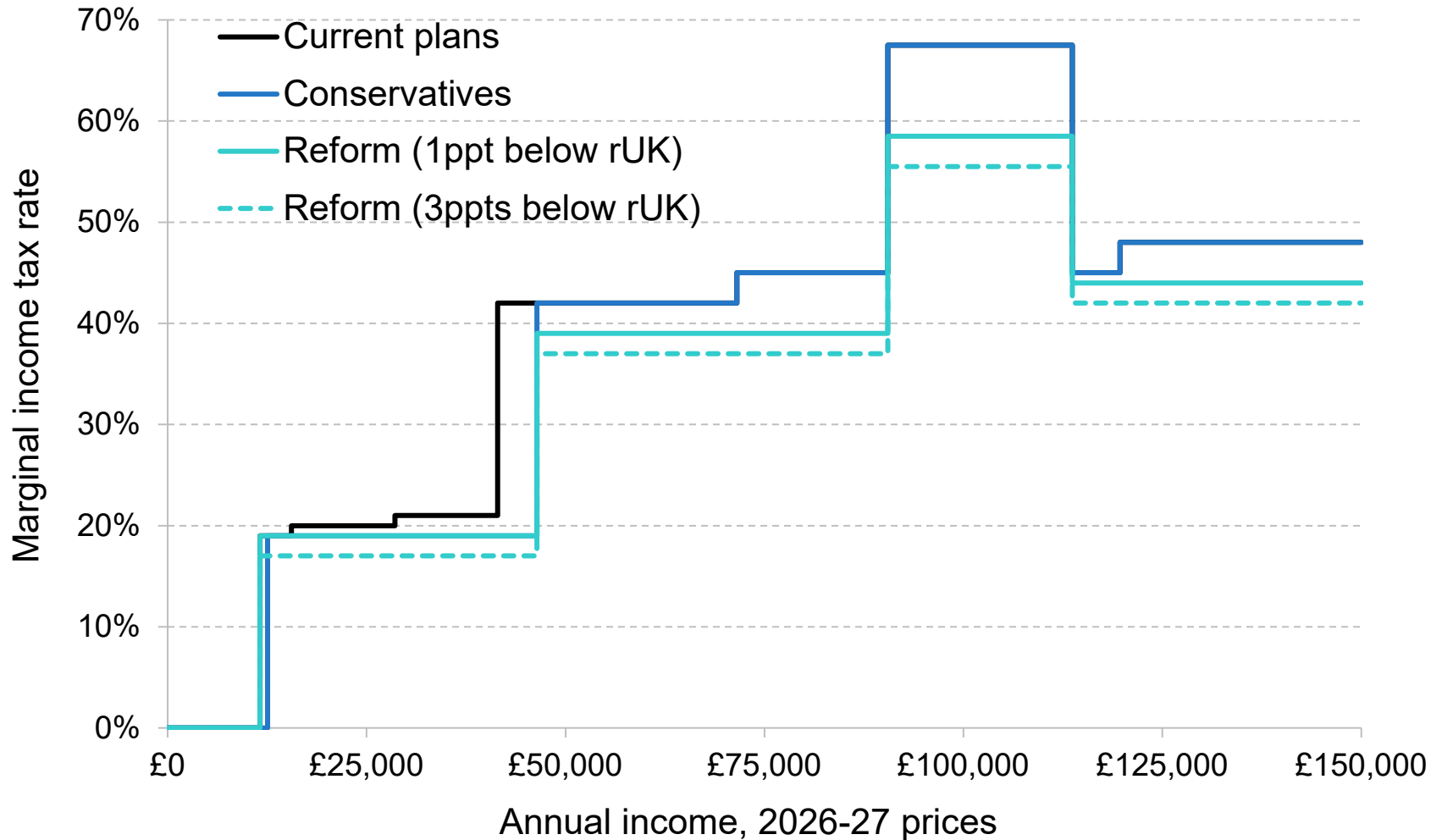


- 2021–2026: further increases in revenue, progressivity & complexity

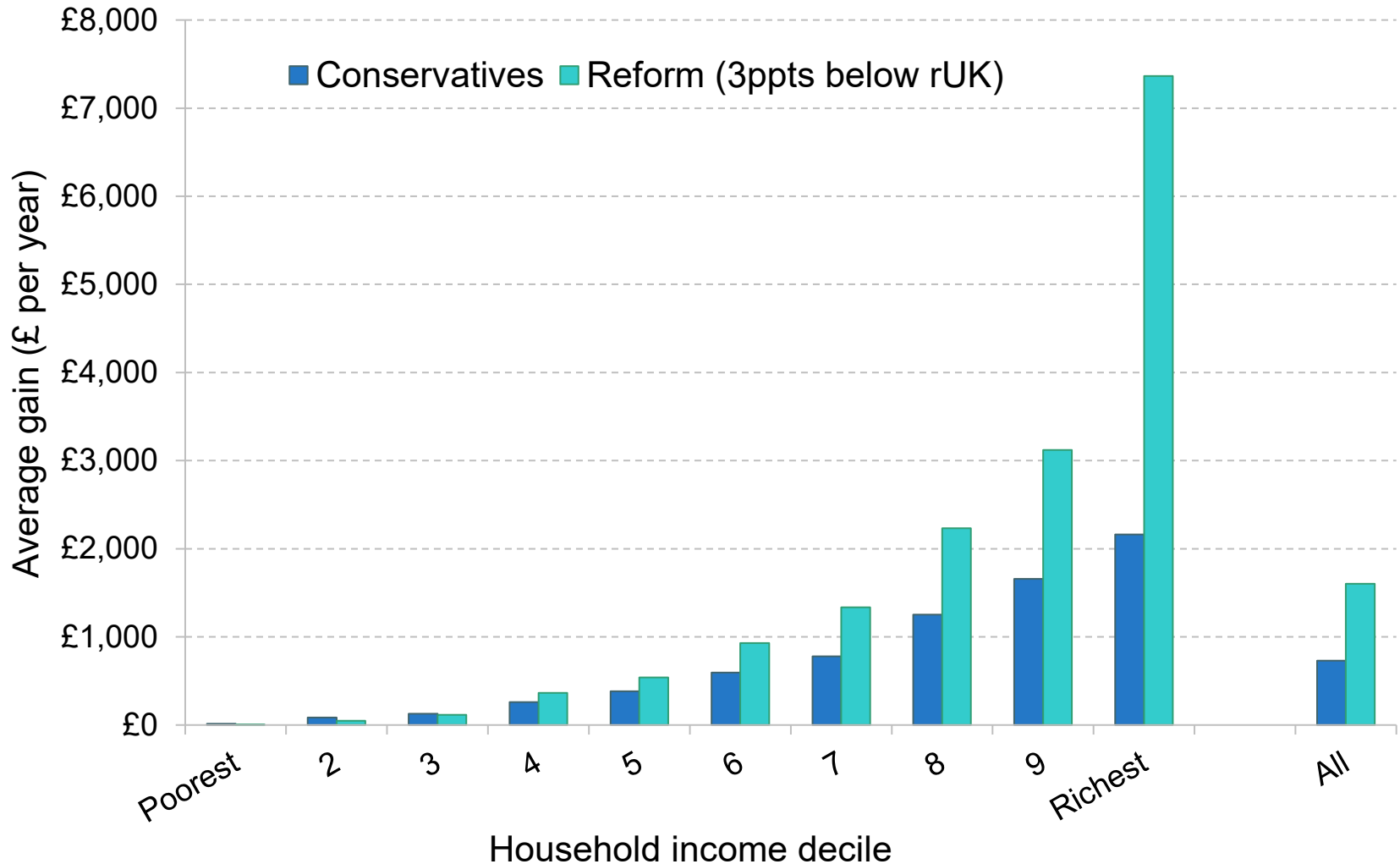
Parties' plans

- **Greens**: increase for rental income
- **SNP**: no rate increases, no new bands, aim to simplify
- **Labour**: no increase; aim to cut if conditions allow – priority high marginal rates
- **Liberal Democrats**: aim to cut if conditions allow – priority thresholds
- **Conservatives**: new 0% band; reduce 20% & 21% rates to 19%; increase higher-rate threshold to £50,270 by end of parliament; eliminate first £500 of tax on pension income. (Costs £3bn)
- **Reform**: set 1 percentage point (ppt) below rUK rates immediately (£2.3bn), aim for 3ppts by end of parliament (£4bn)

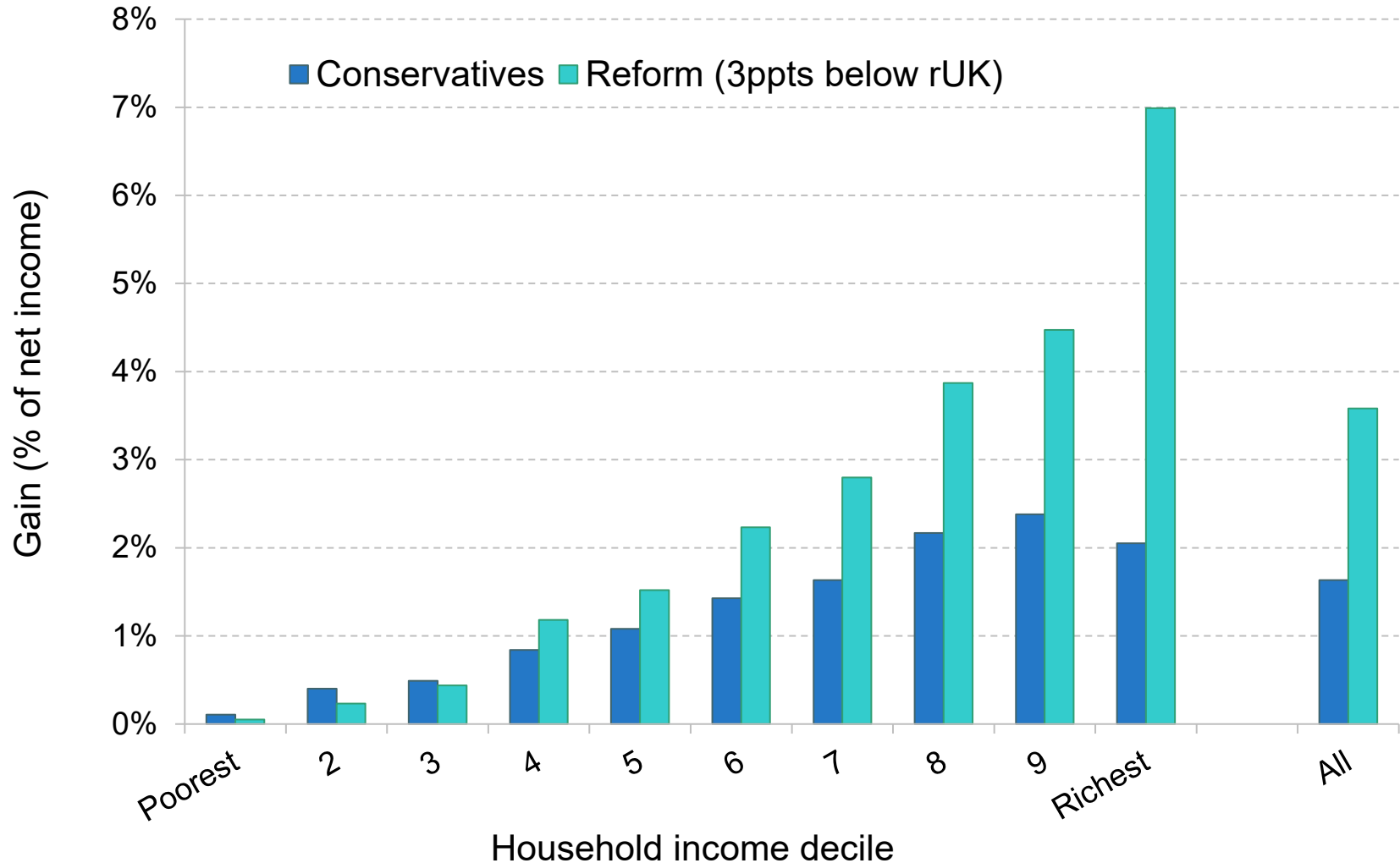
Income tax in 2031–32



Income tax cuts compared



Income tax cuts compared



- Real-terms reduction in average rates since 2021
- Consultation & engagement, but no fundamental reform
- High-value council tax surcharge ('mansion tax') announced for 2028

Parties' plans

- **SNP & Labour**: seek consensus on reform
- **Liberal Democrats**: restart cross-party talks, proposing land value tax
- **Greens**: replace with new tax, updated & more proportional to value
- **Reform**: cancel high-value council tax surcharge
- **Conservatives**: no mention of council tax – but previously said oppose revaluation

Business rates

- Reduced for lower-value properties, and especially retail, hospitality & leisure – at least until 2029

Parties' plans

- **SNP & Labour**: change so that online giants 'pay their fair share' and generally improve – but no specifics of how
- **Conservatives**: rationalise rate schedule & various other reforms (some sensible, others not)
- **Reform**: replace (along with LBTT) with annual property tax within 10 years; reverse recent revaluation and end revaluations
- **Liberal Democrats**: work towards system with land value element
- **Greens**: tax vacant & derelict land; big range of new surcharges & reliefs, while removing some existing reliefs

Land & buildings transaction tax

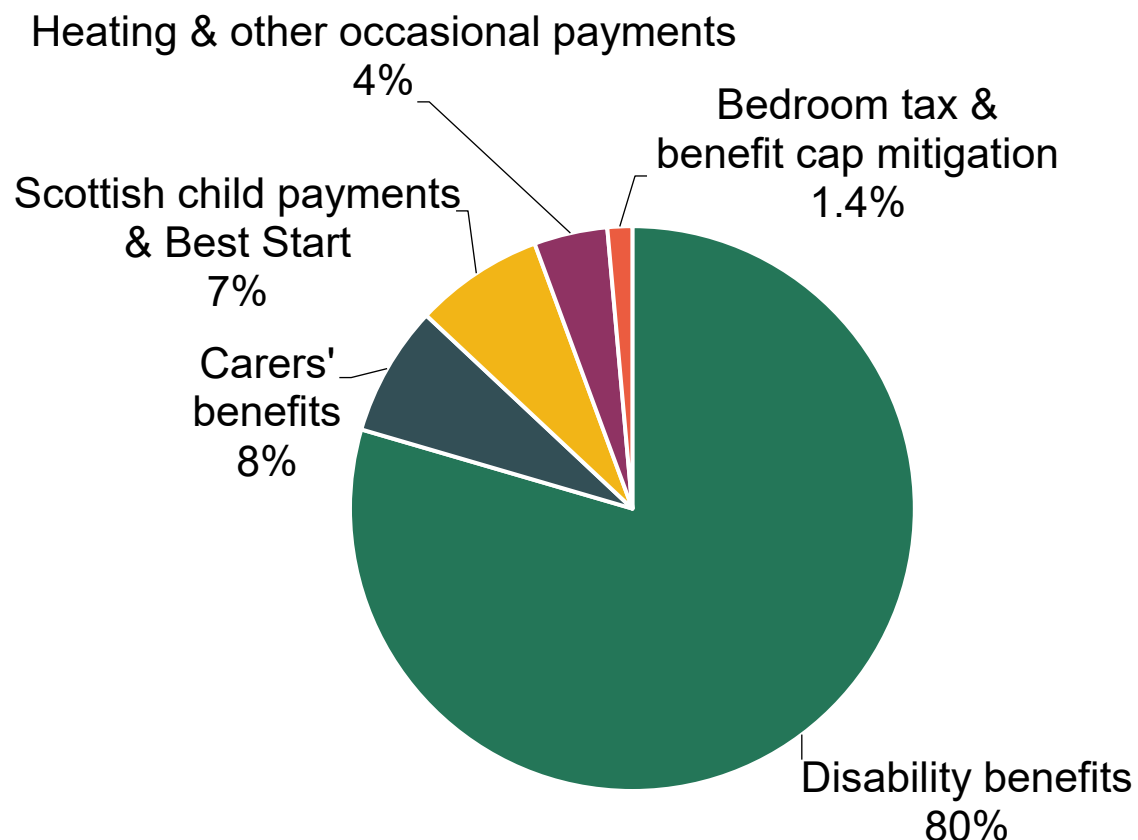


- Continued threshold freeze; big increase for 2nd & rental properties

Parties' plans

- **SNP**: no mention of LBTT
- **Greens**: further increases for high-value and 2nd & rental properties
- **Conservatives**: reverse increase for 2nd & rental properties; abolish for main homes IF Westminster does
- **Reform**: replace (along with business rates) with annual property tax within 10 years
- **Labour**: increase relief for 1st-time buyers (worth up to £500 each)
- **Liberal Democrats**: consult on exemptions for older people downsizing and difficult to build on brownfield sites

Devolved benefits, 2025–26



Key changes since 2021:

- Scottish disability benefits replaced UK equivalents
- Big increase in Scottish child payments and extension to 6–15 year-olds

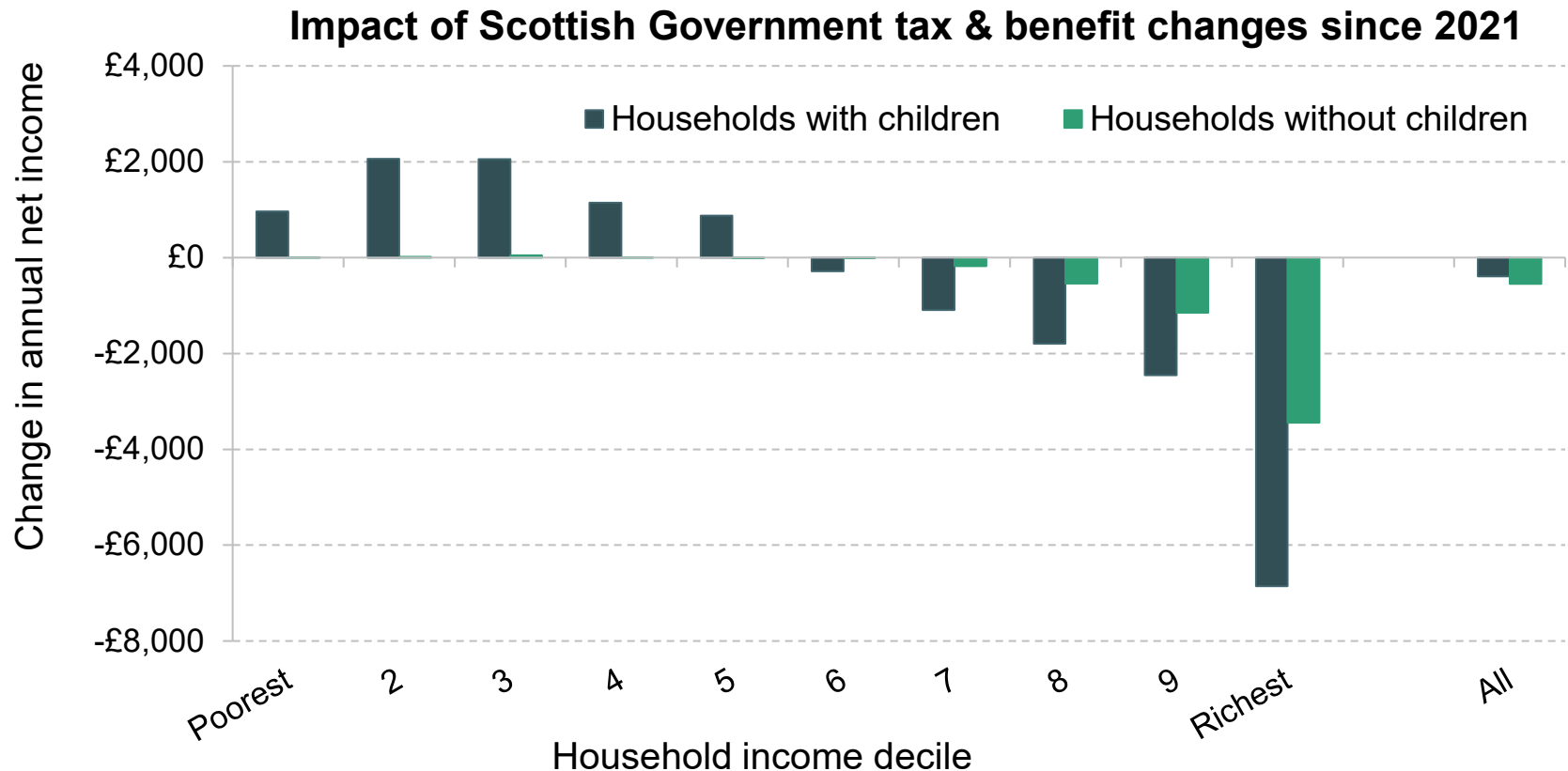
Benefits: the parties' plans



- **SNP & Labour**: no mention of benefits
- **Greens**: big increase in Scottish child payment; 'double lock'
- **Reform**: end cliff-edge withdrawal of carer benefits
- **Liberal Democrats**: increase carer benefits, end cliff-edge withdrawal
- **Conservatives**: remove adult disability payments from most recipients with mental health problems; 2-child limit on Scottish child payments

Summary: Scottish Govt's record

- Changes have made taxes & benefits higher and more progressive



- But haven't improved the structure of the tax & benefit system

Summary: the parties' plans



- **SNP & Labour**: don't raise income tax; few other specific proposals
- **Liberal Democrats**: tentative ideas for tax cuts & land value taxation
- **Reform**: big tax cuts
- **Conservatives**: big tax cuts and big benefit cuts
- **Greens**: use complicated tax policy to change society



Overall assessment of the parties' plans

Some commonalities

- All pledge improvements to NHS performance and healthcare
 - Some useful ideas but challenges are huge – especially improving hospitals while shifting money to community
- Schools an area opposition parties argue change is needed
 - Visions on what change is needed differ radically
- Cost of living a key issue for voters – and so for parties too
 - Motivation for tax cuts and new free or subsidised entitlements
- Big public investment plans
 - Housing as a priority for all
 - But differences on roads, cycling and net zero

But different visions

- **Reform UK** and **Conservatives** pledge tax cuts (much larger in scale compared to Welsh cousins)
 - Traditionalist in education, more spending on roads and less on climate & cycling schemes
- **Greens** and **SNP** pledge a bigger welfare state with more entitlements
 - Big expansion of free or subsidised childcare
 - **SNP** add £2 buses and food price caps
 - **Greens** add free buses, dentistry, smaller school classes, huge increase in GPs, etc
- **Labour** and **Lib Dems** with somewhere in the middle, with more focus on existing services, and aim but no commitments to some tax cuts
 - Fewer new entitlements, e.g. much smaller childcare expansions
 - On schools, Labour more similar to right, Lib Dems to left

Confronting fiscal reality?

- No party has fully confronted fiscal reality facing next govt.
- **Reform UK's** claim that growth would pay for tax cuts is a mirage, net zero savings cannot be relied on, so implicitly relying on billions of largely unspecified and likely undeliverable 'efficiencies'
- **Conservatives** identify specific benefit cuts to pay for a fair chunk of their tax cuts, but £4 billion of 'efficiencies' assumed is not credible
- **Greens** set out the biggest spending pledges, and recognise this would require higher taxes, but taxes would need to rise even more than they say, and tax plans would add massive complexity
- **SNP** spending giveaways are smaller (£1.4 billion), but like the parties of the right say growth and 'efficiencies' would ride to the rescue
- **Labour's** and **Lib Dems'** focus on existing services and smaller giveaways create the smallest holes to fill from 'efficiencies'
- Funding NHS sufficiently already implies chunky cuts to other spending – without any new tax cuts or spending increases

Big choices



- Voters face big choice – parties have quite radically different visions for Scotland
- The boldest proposals come with their biggest price tags – and the biggest trade-offs elsewhere in an already very difficult budgetary outlook
- No free lunches
 - Scotland can have lower tax if it has a state that does less
 - Or a state that does more if it is willing to pay more for it
- More modest proposals create less of a fiscal challenge, but do they deliver the changes you want?

Decisions, decisions...



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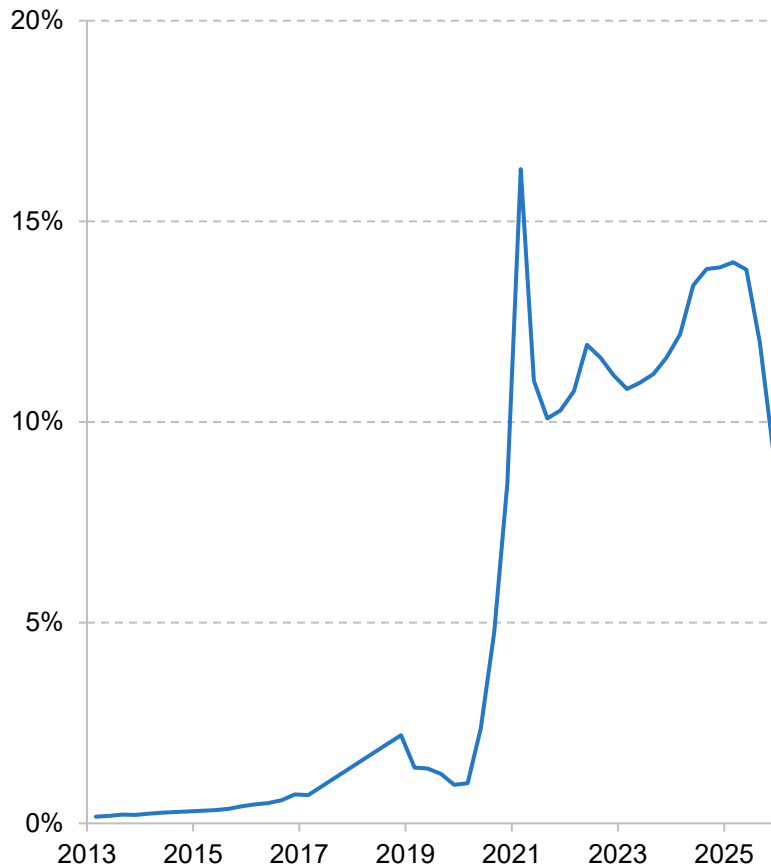
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Public service performance is poor

Share of patients waiting over a year from referral for elective treatment in Scotland



Source: Figure 13 of 'Public service spending and performance in Scotland', Bogaard et al., 2026

- Waiting times worse than pre-pandemic, key elective targets missed
- Scottish hospital activity lower than pre-pandemic levels, unlike England or Wales
 - Given increases in staffing and funding, suggests lower hospital labour productivity
- Health spending per person has almost converged to English levels