Pre-budget scrutiny 2027-28: the affordability and sustainability of Scotland's tax and spending plans

August 2026

SWBG's key messages

Gender budget analysis should be a critical part of the Scottish budget process. It can support the Scottish Government's four priority areas (eradicating child poverty, growing the economy, tackling the climate emergency, and building high-quality and sustainable public services) while driving better outcomes by ensuring spending decisions are transparent, evidence-based and responsive to the different needs of women and men.

Gender budgeting serves three essential functions:

- promoting fiscal accountability;
- increasing gender responsive participation in the budget process.
- restructuring fiscal policies to promote gender equality.

Gender budgeting is underpinned by the principles of **transparency**, **participation**, and an **outcome-focused approach** that seeks to advance **equality**.

In the context of falling levels of public trust in institutions, tight financial circumstances and perceptions of failing public services, gender budgeting approaches could be crucial to rebuilding trust and ensuring that public spending better reflects people's needs and priorities.

1. Are the spending allocations outlined in the 2026 Scottish Spending Review the most effective approach to strengthen public finances?

While the spending allocations are clearly linked to the Scottish Government's stated priorities, it is difficult to conclude that they represent the most effective approach to strengthening public finances because the evidence, analysis, equality considerations and link to outcomes underpinning these allocations are not sufficiently transparent.

Our gender budget review of ELC implementation in Scotland exemplifies this point. The level of national funding allocated to funded ELC does not appear to fully take into account the policy's intended outcomes. In early 2018, the Scottish Government stated that the ELC funding package would be subject to annual review to ensure that it reflected delivery costs and uptake, both in terms of the total eligible population and uptake among two-year-olds. However, this approach raises a further issue. Given the clearly defined objectives of the expansion, particularly improving outcomes for children and closing the attainment gap, the level of investment might be expected to be determined primarily by the population eligible for the policy and the resources required to achieve its intended outcomes, rather than by levels of uptake alone.

Furthermore, under the priority of *eradicating child poverty*, the SSR states that it is "continuing to invest around £1 billion each year through the Local Government settlement to deliver high-quality funded early learning and childcare for all 3- and 4-year-olds, and eligible 2-year-olds." Our latest review of local authority budgets shows that a number of councils are reducing access to funded childcare so that provision begins in the term after a child's third birthday because of budget constraints, resulting in waits of up to five months in some cases. This raises questions about the sufficiency of current funding allocations, as increasing numbers of local authorities choose to provide only the statutory minimum in order to balance their budgets. This points to a broader issue concerning both the adequacy of local government funding and the appropriateness of current funding allocations for ELC policy. For instance, the £1 billion commitment to ELC funding has remained unchanged since the policy was introduced at the beginning of the previous parliamentary session, despite the impact of inflation.

According to other information contained in the SSR, this situation is unlikely to change. Under *Annex B: Efficiency and Reform Plans*, the document states that: "The future fiscal outlook for Local Government will bring challenges that will require it to participate in further efficiencies, and undertake transformation of services, in line with our strategic ambitions. However, Local Government will have the flexibility in how they find the savings that are equivalent to the quantum necessary and fit their local circumstances." From a transparency perspective, this approach fails to set out the likely impact of these "efficiency and reform plans." In practice, our local budget reviews have identified a concerning trend of local authorities reporting that they have exhausted the efficiency savings available to them and are now looking to reduce services. Some have indicated that they may face difficulties in meeting their statutory responsibilities.

The SSR does not appear to resolve this issue, contributing to the lack of transparency and failing to demonstrate a clear link between spending decisions and policy outcomes.

Overall, these examples, amongst others, suggest that the spending allocations outlined in the SSR cannot be considered the most effective approach to strengthening public finances. Strengthening public finances requires spending decisions that are evidence-based, transparent and informed by robust gender and equality analysis so that investment is directed towards policies that achieve their intended outcomes and reduce future demand for public services. The lack of transparency surrounding the evidence, analysis and decision-making underpinning revenue allocations risks undermining this objective by weakening policy coherence between the Government's stated priorities and the outcomes its spending decisions are likely to achieve.

2. **What are the biggest risks to the spending plans outlined in the 2026 Scottish Spending Review?**

The biggest risks to the spending plans outlined in the SSR relate to their deliverability within a constrained fiscal environment and the unintended consequences of these plans due to the lack of gender analysis informing the SSR. In particular, the planned expansion of investment in primary care and social care, areas themselves highly gendered, depends on ambitious efficiency savings that may prove difficult to achieve. According to the Institute for Fiscal Studies, these plans rely on NHS boards delivering annual efficiency savings of 3%, significantly above historical performance, with limited detail on how these savings will be realised[1].

Budget constraints are already shaping service delivery to the detriment of service users. The findings of the Accounts Commission's *Integration Joint Boards: Finance and performance 2024* provide an example of the scale of this challenge. The report highlights the financial pressures facing Integration Joint Boards (IJBs), alongside increasing demand for services, growing unmet and more complex needs, workforce pressures and a lack of progress in shifting care towards community and preventative services.

Crucially, the report also finds that IJBs have had to achieve savings as part of their partner funding allocations for several years and that doing so while maintaining service levels has become increasingly difficult. This has led to IJBs considering more significant options, including ending funding for some care and support services, as statutory duties are prioritised. The report further warns that relying on non-recurring savings to bridge funding gaps is not a sustainable approach to balancing budgets.

Due to the gendered nature of care, both paid and unpaid, these findings are of particular concern to SWBG. They highlight the need to consider not only whether savings can be achieved financially, but also who will bear the costs of those savings and what their wider social and economic consequences will be.

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[1] IFS (2026) Scottish Budget and Spending Review signal big shifts in health and investment spending – but reliance on ambitious efficiency targets brings risk

The lack of focus on outcomes driving spending allocations is also a risk. Decisions such as the summer sport in the most recent budget prioritised as an anti-poverty measure are an example of this. While increasing access to swimming lessons may have benefits, there is no evidence that this measure was assessed against equality or child poverty objectives. It does not consider which children are most likely to participate, whether families on low incomes can realistically access swimming facilities, or whether directing resources towards a universal intervention represents the most effective use of limited public funds in advancing the Government's priorities. The use of gender budgeting tools would have helped explore these issues within the decision-making process.

Overall, these examples indicate that the spending plans may fail to deliver the intended policy outcomes and may result in a reduction in the quality and/or accessibility of public services.

The Medium-Term Financial Strategy (June 2025) is a five-year financial plan setting out the Scottish Government's forecast for revenues and demand, spending priorities and borrowing plans.

3. **Does the 2025 Medium-Term Financial Strategy (MTFS) recognise and clearly set out the scale of the fiscal challenges facing the Scottish budget, and are the actions identified in the Fiscal Sustainability Delivery Plan (FSDP) likely to address the forecast shortfall?**

The MTFS recognises the scale of Scotland's fiscal challenges in achieving a balanced budget. However, the lack of detail behind the figures and the actions set out in the FSDP makes it difficult to assess whether the proposed measures will address the forecasted shortfall. This is particularly the case given the FSDP's reliance on efficiency savings, without sufficient information about how these savings will be realised or what their impacts will be. In a session with members of our Economic Empowerment Group, participants expressed concern that efficiency savings were simply another term for cuts.

From an equalities perspective, the more fundamental concern is the continued absence of gender budget analysis. Without assessing the distributional impacts of spending decisions, it is impossible to determine whether the measures proposed will support or undermine the Government's wider priorities, including reducing child poverty, improving population health and advancing equality.

For example, Annex E of the MTFS states that the Scottish Spending Review will allocate budgets to deliver the Government's four priorities. Yet the Scottish Budget

2026–27 included *"universal free swimming lessons for every primary school child in Scotland"* with little evidence published to show how this measure contributes to the Government's child poverty objectives or why a universal offer was considered the most effective use of funding to address child poverty. The use of gender budgeting tools would have helped explore these issues as part of the decision-making process, including whether there were alternative uses of this funding that could have more effectively addressed child poverty and existing inequalities. The Equalities and Human Rights Budget Advisory Group developed a set of questions to support the analysis process within the budget which appear to be underused. These questions ask:

1. What outcome is the policy and associated budget decision aiming to achieve?

2. What do you know about existing inequalities of outcome in relation to the budget area?

3. How will your budget decisions impact upon different people and places?

4. How will your budget decisions contribute to the realisation of human rights?

5. Could the Budget be used differently to better address existing inequalities of outcome and advance human rights?

6. How will the impact of the budget decisions be evaluated?

4. **What do the next MTFS and update to the FSDP need to include to show that the Scottish Government is on track?**

The fundamental question is whether the Scottish Government is spending public money on the right policies in line with its stated priorities, intended outcomes and statutory obligations, such as meeting child poverty targets. The lack of focus on outcomes, enabled by weak accountability mechanisms, contributes to the growing implementation gap in Scotland[2].

To demonstrate that the Scottish Government is on track, the MTFS and the FSDP should include information not only on savings and spending allocations, but also on how public expenditure is driving progress towards the Scottish Government's four priorities and intended outcomes. This should include setting clear indicators, enabling Parliament and stakeholders to assess whether spending decisions are delivering the intended results.

[2] The Health Foundation (2023) Leave no one behind

Additionally, the Scottish Government should use gender budget analysis to inform this work, ensuring that policy and budget decisions do not adversely impact women or exacerbate existing inequalities. We recommend that the Committee adopts this approach when scrutinising the work of the Scottish Government.

5. **What actions should the Scottish Government take to grow the tax base and increase labour market participation, productivity, and Scotland's economic growth?**

As members of the Tax Justice Scotland campaign, SWBG supports their submission and details provided on five priority areas for tax reform that seek to address structural inequalities in the tax system while generating sustainable revenue for investment in public services and a just transition.

These priorities are:

- Replace Council Tax with a Proportional Property Tax;
- Maintain a progressive approach to Income Tax as an essential revenue-generation tool, recognising that the scale of the financial pressures may necessitate broad-based tax rises;
- Raise more revenue to invest in climate action, including by making polluters pay;
- Introduce progressive wealth taxation measures to address extreme wealth concentration;
- Reform local taxes to incentive businesses towards fair work and other positive behaviours.

From a women's equality perspective, increasing labour market participation requires viewing the economy through a broader lens—one that recognises the role of social infrastructure in enabling women to remain in or return to work. It also calls for the use of gender budget analysis to understand the factors impacting women's labour market participation, including the factors driving economic inactivity among women over 50.

Evidence from our surveys consistently shows that women are more likely to be responsible for caring for young children, as well as older relatives and disabled family members. This is driven, in part, by persistent gender stereotypes and norms around caregiving, alongside the unaffordability or inaccessibility of childcare and social care. In our latest Women's Survey 2026, among respondents with caring responsibilities, 12% said that their caring responsibilities had significantly affected their ability to undertake paid work or study, while a further 17% said they had affected it to some extent.

International evidence demonstrates the positive impact of childcare investment on women's labour market participation. For example, childcare reforms in Vienna resulted in a 1.5 percentage point increase in women's labour market participation, a 1.2 percentage point increase in women's employment, an average increase of 0.7 hours worked per woman, and a 0.8 percentage point reduction in overqualified employment among women. The effects were particularly pronounced for single mothers and, to a lesser extent, women with children under the age of three.

In this context, investment in social infrastructure (including childcare and care services more broadly) should be recognised as a core economic growth strategy. By enabling more women to enter, remain in and progress within the labour market, it can increase labour supply and expand the tax base, supporting long-term economic growth. SWBG modelling of investment in adult social care also demonstrates the potential benefits of investment in social infrastructure to job creation (direct, indirect and induced) and the positive knock-on impacts for local economies[3].

The gendered dimensions of economic inactivity are also closely linked to health. Data on economic inactivity due to ill health reveals that since 2018, the proportion of women aged 50–64 who are economically inactive has increased, now reaching levels nearly equal to those of men in the same age group (47–48%). [4]This shift highlights a growing challenge, particularly given the valuable skills and experience that many in this cohort possess.

At the same time, recent analysis by the Institute for Fiscal Studies on healthcare delivery in Scotland shows that key performance indicators have deteriorated in recent years, despite record levels of spending and staffing.[5] When considered alongside the rise in economic inactivity among women over 50, these findings raise important questions about whether women's health and targeted health interventions are receiving adequate attention within the current health policy and spending frameworks. Addressing this issue requires a better understanding of the underlying health-related causes driving economic inactivity among women. Improving women’s health and reducing health-related economic inactivity among women over 50 would help retain experienced workers in the labour market, increasing labour supply.

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[3] Scottish Women’s Budget Group (2023) Towards a transformative Universal Adult Social Care Support Service for Scotland
[4] SPICE (2024) Economic inactivity and poor health in Scotland
[5] Institute for Fiscal Studies (2024) Scottish Budget: Healthcare spending, staffing and activity Scottish Budget 2024–25

The 2026 Scottish Spending Review sets out further details on the £1.5 billion in public sector efficiencies that are to be achieved over three years. On average, these efficiency savings range from 0.7% to 0.9% per year.

6. **Are the planned efficiencies realistic and deliverable at a scale sufficient to make public services sustainable?**

As highlighted as part of our shared submission with the Tax Justice Scotland coalition, we are concerned that the planned efficiencies are not realistic or deliverable at a scale sufficient to make public services sustainable.

The reliance on efficiencies rather than, or in isolation from, revenue reform has important gender equality and human rights dimensions. The lack of gender analysis of the likely differential impact of these savings on different groups is concerning. Women are more likely to work in the public sector and to rely on public services because of their caregiving responsibilities. Research by IPPR has shown that the Scottish Government's public service reform strategy implies the loss of 18,000 public sector jobs, and risks Scotland "sleepwalking into austerity". They have also highlighted that the deployment of AI is unlikely to reduce public service delivery costs.

When considering planned efficiencies and sustainable public services, it is vital that government uses progressive budgeting approaches including:

- Gender Budgeting tools to consider the different impacts of decisions and ensure that inequalities are not deepened through the process of efficiencies;
- Human Rights Budgeting to ensure decisions align with Scotland's legally binding human rights obligations.

These tools should be embedded in all budgetary decision-making across policy portfolios to assess the distributional impacts of efficiency measures to ensure they do not exacerbate existing inequalities.

7. **What are the main risks to revenues from devolved taxes?**

As members of Tax Justice Scotland, SWBG agrees with the main risks highlighted in that submission and reiterated here:

1. Lack of ambition and a focus on tax justice will stall revenues from devolved taxes at a time when greater investment is needed in public services;
2. Lack of honest public discussion on tax.

The reluctance to have transparent discussions about Scotland's fiscal and demographic challenges and the fact that many of us will need to pay higher taxes to receive the public services Scotland aspires to leads to policy paralysis. Necessary reforms are delayed or abandoned. Public Service Reform is prioritised with little resources to deliver reform. A lack of action on local taxation a decade after the Commission on Local Taxation provides an example of this paralysis.

The main risks to devolved tax revenues stem not from external factors alone, but from a lack of political ambition and transparency in addressing Scotland's tax system. Without bold action on tax justice, revenues will remain stagnant while public service needs grow.

To mitigate these risks there is a need to demonstrate greater ambition in the use of devolved tax powers, prioritise tax justice and adopt progressive budgeting approaches.

Preventative spend – investment aimed at avoiding future demand on services - has long been a priority of the Scottish Government, but the intended outcomes have yet to be fully achieved. This may reflect the complexity of changing entrenched budgeting practices that tend to prioritise short-term, reactive spending, as well as the challenge of coordinating action across multiple services where costs and benefits fall in different areas.

The Scottish Government recently published a Preventative Budgeting Tool and Guidance, with a view to embedding this system of tracking prevention into ongoing annual budgeting by December 2026

8. **Preventative spend has been a goal for several years, but the intended outcomes have not been fully achieved. Why do you think this is the case and how might a Preventative Budgeting Tool help track progress with achieving outcomes?**

One of the crucial issues with investing in preventative policies is that, at a time of budgetary constraint, this spending is often treated as a "nice to have" rather than a necessity, with priority instead given to meeting statutory obligations. The undervaluation of social care relative to investment in the NHS is a good example of this, resulting in people experiencing worsening conditions before they receive the support they need. The gender budget review of local authority budgets that SWBG undertakes each year provides clear evidence of this in practice at the local level.[6]

The lack of an outcome-focused approach to policy, alongside weak accountability mechanisms as referred to earlier, is another issue that exacerbates the implementation gap between national ambition and service delivery. Taking funded ELC as an example, our recent review of the implementation of its 1140 hours-offer provides a number of examples which clearly indicate how decisions about service delivery are often driven by budgetary constraints with little regard for outcomes beyond meeting statutory obligations.

From this perspective, the Preventative Budgeting Tool could provide a way of identifying and quantifying preventative spending, while flagging issues when or if set outcomes are not met. However, the tool does not appear to change the way in which policies and budgets are formulated, or the evidence, data and types of analysis that inform budget decisions in the first place. Most crucially, the Tool does not resolve the invisibility of unpaid care, perpetuating a status quo in which women disproportionately shoulder the additional care burden when services fail to meet or respond to the needs and demands of communities.

Budget tagging tools need to be paired with robust analysis, a clear understanding of the outcomes that investment is intended to achieve, and robust measurement and evaluation processes. This is essential to answering the more fundamental question: is this the best way to use these resources? While the Preventative Budgeting Tool provides a useful starting point for identifying preventative spending, it does not connect spending robustly enough to the outcomes it is intended to deliver. We would therefore suggest linking the Tool more closely with the gender-aware policy analysis used in gender budgeting, helping to ensure that decisions about preventative spending are informed by a clear understanding of who benefits, what outcomes are being achieved, and whether resources are being used in the most effective way.

9. **In which areas should the Scottish Government prioritise its capital spend to best support economic growth?**

10. **How effective are the Scottish Government's existing financial flexibilities - including borrowing and the Scotland Reserve - in managing fiscal pressures, and what limitations, if any, should be addressed?**

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[6] Scottish Women's Budget Group (2025) Local Authority Budget 2025/26 Review

Alternative financing approaches are increasingly considered as ways to support public investment and strengthen financial resilience.

Bonds allow governments to raise upfront capital from investors, repaid over time. The Scottish Government has indicated it intends to launch its first bonds this year and, as set out in the Scottish Spending Review, expects them to fund the majority of capital borrowing in this parliamentary term.

Mutual Investment Model (MIM) is a revenue-financed model that brings in private investment with payments spread over the life of an asset.
While these approaches can unlock additional funding beyond traditional budgets, their role remains evolving, reflecting the need to balance affordability, risk, and long-term value for money.

11. **What role should alternative financing approaches – such as bonds, the mutual investment model, or other mechanisms – play in supporting public investment and strengthening Scotland's financial resilience?**

For further information

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About Us

The Scottish Women's Budget Group (SWBG) is a charity that promotes women's equality. We do this by helping people understand how budgets and economic policy can tackle inequality. SWBG brings together a wide range of women from across Scotland who have an interest in women's equality and want to achieve better gender equality in our society. We have focused on encouraging active gender analysis in the Scottish Budget process since 2000. SWBG offers training to Councillors and Council Officers on the use of gender budget analysis tools in local budget processes.

Find out more: www.swbg.org.uk