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Dear Collette

Mitigation of the two-child cap in Scotland

I am writing to update the Committee on the work currently taking place towards mitigating the two-child cap. I am pleased to let you know that our public consultation has launched today. This will cover the pros and cons of different approaches to mitigating the two-child cap, the work being undertaken to put a payment in place, and the timetable for this work.

The Cabinet Secretary for Finance announced to the Scottish Parliament on 4 December that the Scottish Government intends to mitigate the impact of the two-child cap in Universal Credit as far as possible within our devolved powers.

Eradicating child poverty is a key priority of this government. Our policies are making a difference: the Joseph Rowntree Foundation's UK Poverty 2025 report is clear that only Scotland is expected to see child poverty rates fall by 2029. If the rest of the UK were to see the same reduction, 800,000 fewer children would be in poverty.

Yet our efforts are being undermined by the social security policies of the UK Government, not least the two-child cap. We have already spent around £1.2 billion mitigating the impacts of 14 years of UK Government policy such as the bedroom tax and benefit cap.

The Scottish Government has consistently called on the UK Government to end the two-child cap but it is clear that we can no longer wait for them to take action. The draft budget contains £3 million to develop the necessary systems to deliver the payment and we intend to launch these payments in 2026. And as the First Minister has made clear, if we are able to safely get the systems up and running, then we will make our first payments earlier.

I met with key stakeholder organisations on 30 January to begin our engagement, and I am pleased to report support for the policy, alongside a genuine willingness to work together to achieve results quickly. We intend to work closely with those organisations and others as part of the public consultation process in the coming months, to ensure the voices of those likely to be most affected are heard.

Of course, DWP could choose to remove the two-child cap at source and I have written to the Secretary of State with a request to discuss whether they would be willing to do so on our behalf. While I await a reply, I have instructed officials to work towards putting in place a new payment in Scotland.

Our intention is that the payment will be delivered by Social Security Scotland using the powers at section 79 of the Social Security (Scotland) Act 2018. These powers, which enable us to top-up a UK qualifying benefit, will allow us to introduce a mitigation payment for families receiving Universal Credit affected by the two-child cap.

The process for launching a new social security payment is technically complex and requires careful planning and implementation. Work is being undertaken using the same phased approach as has been used successfully in the launch of all 15 devolved social security benefits. The Social Security Programme has begun the initial 'discovery' phase to explore and impact delivery options. I expect this to be completed by the end of March. This will be followed by the 'alpha' phase, where a full technical specification for the payment delivery systems is agreed, and then 'beta', where the systems are then built. There is thereafter an intensive period of testing before the payment is launched.

The responses to the consultation and further policy development, as well as the outputs of that discovery process, will inform the Scottish Government's approach to drafting the legislation that will be necessary to deliver the payments. Legislation will be required, potentially in both the Scottish and UK Parliaments, and we are working towards sharing a draft set of regulations with the Scottish Commission on Social Security by this summer. Scottish Government officials and their counterparts in the UK Government are in discussion about the legislation, and also about the data requirements and wider technical matters where we need to work together to ensure delivery.

Our decision to invest in Scotland's social security safety net reflects the values that I think are fundamental to who we are as a nation. We know that inequality is bad for our health, bad for our communities and bad for our economy. Social security is an investment in Scotland's people, its communities, and its future.

I look forward to working with the Committee in the coming months to deliver this important part of the Scottish Government's fight against child poverty in Scotland, which the Scottish Fiscal Commission estimates will benefit some 42,000 children.

I hope the Committee finds this update helpful and I look forward to formally working with you during the legislative phase of the work.

I am copying this letter to the Presiding Officer and to the Minister for Parliamentary Business.

Yours Sincerely

SHIRLEY-ANNE SOMERVILLE