

Social Justice and Social Security Committee

Thursday 15 January 2026

2nd Meeting, 2026 (Session 6)

Abolition of two child limit: implications for Scottish Government

The UK Budget in October 2025 included abolishing the two-child limit and [legislation to achieve this had its first reading in the Westminster Parliament on 8 January](#). This Committee session will explore the implications for the Scottish Government.

NB: At time of writing the Scottish Government budget had yet to be published. SPICe will draft a short note for members on Wednesday 14 January highlighting measures in the Scottish budget relevant to the two-child limit.

The Committee will hear from:

- John Dickie, Director, Child Poverty Action Group in Scotland
- Charis Chittick, Head of Policy, Strategy and Communications, One Parent Families Scotland
- Stephen Sinclair, Chair, Poverty and Inequality Commission
- Hannah Randolph, Knowledge Exchange Fellow, Fraser of Allander Institute

Background

Two-child limit mitigation

The Scottish Government announced in December 2024 that it would mitigate the impact of the two-child limit from April 2026. This was later brought forward to March 2026. Draft regulations were provided to the Scottish Commission on Social Security on 24 June 2025 and they [reported on 1 September](#). Following the UK Government's announcement in the November 2025 budget that the two-child limit would be abolished, the Scottish Government no longer needed to mitigate it. The [First Minister made a commitment in January 2025](#) that, if the UK Government were to abolish the two child limit, the funds freed up would be spent on tackling child poverty.

The removal of the two-child limit gives families an additional [£303.94 per month in 2026/27](#) (£3,647.28 p.a) for each additional child that they can now include in their Universal Credit claim.

The [Scottish Fiscal Commission's first estimate of the cost of mitigating the two child limit](#) was published in January 2025.

Table 1: Two child limit mitigation costing

£ million	2026-27	2027-28	2028-29	2029-30
Cost of two-child limit mitigation	155	171	184	198

Source: SFC, January 2025.

The Scottish Government subsequently brought forward the implementation date to March 2026. In June, the SFC forecast that this would cost around £11m in 2025/26 ([Figure 3.3, June update](#)).

The Scottish Fiscal Commission forecast that mitigation payments would have been made for 43,000 children in 2026-27 rising to 52,000 in 2030-31.

Table 2: Two child limit mitigation payments

000s	2026-27	2027-28	2028-29	2029-30	2030-31
Children	43	46	48	50	52

Source: SFC, May 2025 forecasts. Table S5.2

As improvements in family finances are likely to affect all children in the family, the total number of children in families affected by the policy is higher. The [UK Government estimated](#) that around 95,000 children in Scotland would benefit from abolition of the two child limit.

Some of these children will be lifted out of poverty. The [draft policy note](#) for the mitigation regulations stated that:

“Scottish Government modelling estimates that mitigating the two-child limit will result in 20,000 fewer children living in relative poverty in 2026-2027.”

The [Child Poverty Modelling Update published in March 2025](#) set out that abolishing the two-child limit would result in child poverty being around two percentage points lower in 2025-26 compared to keeping the policy in place.

Similarly, the UK wide impact is a reduction of around 2.2 percentage points in 2027, compared with the counterfactual of keeping the two-child limit in place.

Table 3: Percentage point reduction in relative child poverty

Measure	2027	2028	2029	2030	2031
Two child limit UK wide impact	2.2pp	2.6pp	3.2pp	3.2pp	3.1pp

Source: [UK Child Poverty Strategy Impact on Poverty](#)

The written submission from the Fraser of Allander Institute has a lower estimate stating that:

“We estimate that removing the two-child limit will act to reduce the child poverty rate by around 1 percentage point in 2026-27, representing around 10,000 children who will be kept out of poverty – although the mitigation payment would have had a similar effect.”

Child poverty targets and delivery plans

The Child Poverty (Scotland) Act 2017 set statutory targets for reduction in child poverty.

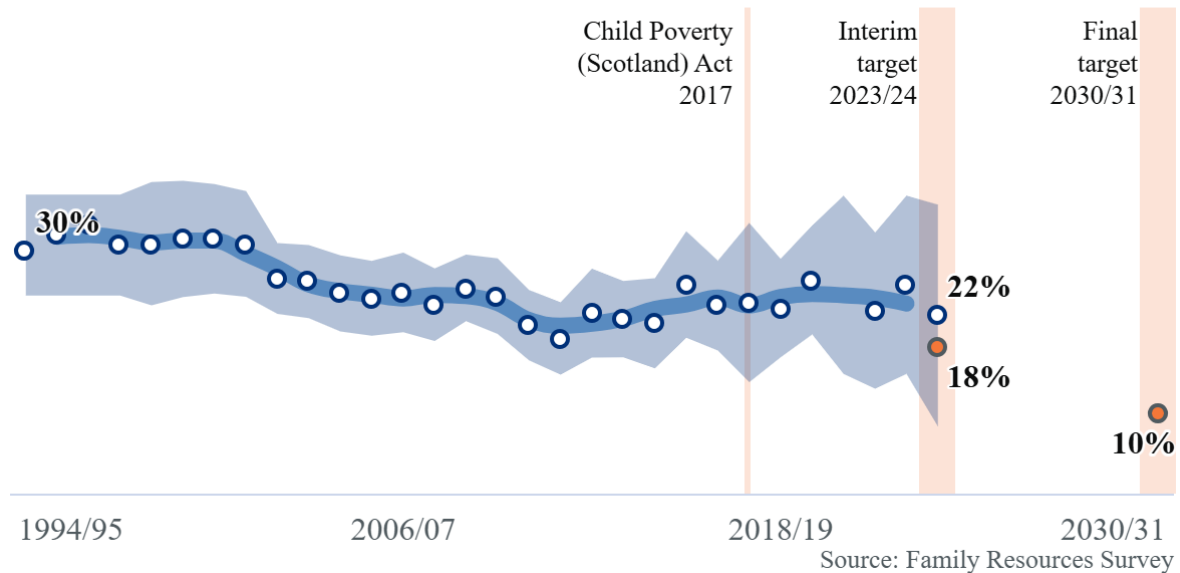
Relative child poverty has fallen in Scotland but was above the interim target set for 2023-24. The next statistics, covering 2024-25 will be published at the end of March 2026. These statistics will include a revision of the historic trend due to data improvements as set out in this [blog from the Scottish Government](#).

The chart below shows the trend in relative child poverty in Scotland since 1994. This shows that 22% of children were in relative poverty in 2023-24, higher than the 18% target set in the 2017 Act, but lower than the 24% in relative poverty when the Act was passed.

Chart 1: Trend in relative child poverty and targets

Relative poverty

Measures low income relative to the rest of society



There have been two child poverty delivery plans to date; ‘[Every Child, Every Chance](#)’ covering 2018 to 2022, and ‘[Bright Start, Bright Futures](#)’ covering 2022 to 2026. The next will cover from 2026-2030 and will be published at the end of March. The Poverty and Inequality Commission have a statutory role in providing advice to the Government on meeting the targets and have [published advice for the next delivery plan](#). They state:

“ending child poverty in Scotland will require the Scottish Government to use every lever at its disposal. Incremental change is not enough — bold, coordinated action is essential.”

Suggested themes for discussion

The Scottish Budget, spending review and social security forecasts published on 13 January may affect the relevance of some of the questions suggested below.

Use of mitigation funds in 2025-26

On 8 January the Scottish Government announced allocation of [£10m emergency support for families](#) for 2025-26 This money was originally set aside for mitigating the two-child limit during March 2026. The re-allocations comprise:

- £5.5m for Scottish Welfare Fund
- £0.55m for Aberlour’s urgent assistance fund
- £1.5m for Children First, for families in crisis and to support their helpline.
- £1.5m for the Corra Foundation, for their Household Hardship Fund.
- £1m for ‘various strands of the Scottish Government’s national Child Poverty Delivery Plan 2022-26 including Local Employability Partnerships, Ending Homelessness Together, Women Returners support and the King’s Trust NHS employability programmes.

Members may wish to discuss:

- 1. Not having to mitigate the two-child limit frees up around £10m in the current financial year. Do witnesses have any comments about the choices the Scottish Government has made for using this money?**

Scottish Government budget

On [8 January, the First Minister said](#):

“Next week we will set out in more detail our intention to put tackling child poverty at the heart of the next Scottish Budget and I look forward to unveiling landmark interventions to drive this work forward.”

On 18 December the Committee heard from the Cabinet Secretary for Social Justice about the UK Government’s Child Poverty Strategy. She was asked how the Scottish Government would spend funds that are no longer needed to mitigate the two-child limit. She said:

“The First Minister has made it very clear that the funding will be used for further child poverty measures. He made that commitment some time ago, [...] and the measures will be announced as we publish our budget. However,

the commitment to ensure that the funding is spent on anti-poverty measures is absolutely sound.” ([SJSS Committee Official Report, 18 December 2025](#), col 8)

She referred to letters and correspondence from stakeholders with different views about how that money could be spent, saying:

“It is important to recognise that we await the Scottish Fiscal Commission’s forecasts to see what that amount will be, and, as I have mentioned, we will also have to consider the additional expenditure that we must undertake as a result of the further mitigation of the benefit cap and the expected increase in demand for the Scottish child payment, because more people will be eligible for universal credit and therefore eligible for the Scottish child payment following the scrapping of the two-child limit. All that will be taken into account as we develop the budget. ([SJSS Committee Official Report, 18 December, col 8](#))

She was asked whether the budget would set out clearly how the funds have been spent. She said:

“A number of parts of the budget will help to tackle child poverty. The budget is still being finalised, so we have not worked out the finer details of how that will be developed and presented. However, we recognise the importance of being able to demonstrate to stakeholders that we have developed that work. The First Minister has been true to his word about using the money to tackle child poverty, and we will reflect on how we can demonstrate that in the budget.” ([SJSS Committee Official Report, 18 December, col 10](#))

The Committee will discuss the budget with the Cabinet Secretary in February. The written submission from the **Poverty and Inequality Commission** makes a range of recommendations including:

- Investing in more specialist, targeted employment support for parents who face specific barriers to employment, such as disabled and minority ethnic parents
- Increasing access to affordable early learning and childcare and school age childcare
- Supporting families with energy costs

The submission from **CPAG** recommends focusing on social security spend, saying:

“We now urge Parliament to ensure that the money freed up as a result of UK abolition remains in the Scottish government’s social security budget lines to further boost cash support for low-income families, both in and out of work. Increasing the Scottish child payment is the most cost effective, deliverable and impactful way to further reduce child poverty.”

The submission from **One Parent Families Scotland** recommends:

- Increasing the Scottish Child Payment to £40, with further increases for priority families.
- Targeting additional support to families affected by the 'Young Parent Penalty' (people under 25 receive a lower basic rate of Universal Credit).
- Increasing funding for income-maximisation services.
- Providing face to face support for parents using the Child Maintenance Service.

The submission from the **Fraser of Allander Institute** does not advocate for a particular policy but does include examples of the modelled impact of a variety of policies that are likely to reduce child poverty by around one percentage point, keeping around 10,000 children out of relative poverty.

Their illustrative policies are listed below. They would each cost around £121m in 2026-27 and reduce child poverty by one percentage point.

- SCP of £35
- SCP of £31, extended to 16- to 19-year-olds.
- SCP of £34, increase Best Start Grants and Best Start Foods by the same proportion
- SCP of £34, and increasing the maximum discount on water and sewerage charges from 35% to 100% for families with children

Members may wish to discuss:

2. **What are witnesses initial comments on how the Scottish Budget addresses child poverty? To what extent have your recommendations been taken into account?**
3. **Is it clear from the Budget documents how funds 'freed up' are being spent and what the impact will be on child poverty?**

Abolition compared to mitigation

The Scottish Government had planned to provide a 'top-up' payment to all families in receipt of Universal Credit who were affected by the two-child limit. A 'top-up' would not have been able to reach quite as many people as abolition. As the Scottish Commission on Social Security set out in its report on the draft regulations:

"some families subject to the two-child limit will miss out on support. CPAG estimates that 3,000 families in Scotland are not entitled to any Universal Credit, because of the two-child limit. These families cannot access the top-up

payment, as individuals must first be entitled to Universal Credit for the Scottish Government to apply its powers.” ([SCoSS report, September 2025](#))

The submission from the Fraser of Allander Institute discusses how the provision of a top-up would have exacerbated the ‘cliff-edge’ experienced once entitlement to Universal Credit was lost.

“The two-child limit mitigation payment would have ‘steepened’ this cliff edge for large families, since beneficiaries would have been liable to lose the mitigation payment alongside the Scottish Child Payment and other similar benefits. This contrasts with the two-child limit being removed at source, whereby the Universal Credit taper acts to prevent abrupt drops in entitlements.”

In addition to concerns about labour market disincentives, FAI make a broader point about the fairness of ‘cliff edges’ in social security, saying:

“There are also fairness considerations surrounding the possibility that a family earning more than an otherwise identical counterpart could end up with a lower total income.”

The submission from the Poverty and Inequality Commission makes the additional point that people would have had to apply for the mitigation payment which might have reduced the number of families benefiting from it.

The submission from CPAG notes concerns that SCP could reduce work incentives, but refers to recent [research from LSE, York and Glasgow Universities](#) which concluded that concerns about work incentives were ‘over-played’. One reason was that a lone parent can work 39 hours a week at the national minimum wage before losing Universal Credit (and therefore also losing SCP). They are therefore unlikely to hit the ‘cliff-edge’ if they are on minimum wage. The researchers also compared labour market behaviour in similar families in England and Scotland both before and after SCP roll-out:

“Results suggest the SCP has not in practice reduced labour supply, including for secondary earners. Taken together, the evidence suggests that concerns that the SCP creates work disincentives are overplayed.”

Members may wish to discuss:

- 4. To what extent will abolishing the two-child limit have a different impact on families compared to mitigating it?**
- 5. Although the mitigation payment isn’t going ahead are there any lessons for a future Scottish Government about how they might approach mitigating the impact of a UK social security policy?**

6. The submission from the Fraser of Allander Institute says that the ‘cliff-edge’ in Scottish Child Payment raises issues of fairness. Can they expand on this? What are other witnesses’ views?

Mitigating the benefit cap

[A recent blog from the Fraser of Allander Institute](#) suggested that the Scottish Government would need to spend an additional £34 million as a result of ‘policy spill-overs’ from the abolition of the two-child limit. These costs are from additional families gaining entitlement to the Scottish Child Payment and additional families being affected by the benefit cap.

The benefit cap is a limit on the total amount of benefits that a household can receive. It is £22,020 for a couple or single parent household and £14,753 for a single person. It has been [set at this level since 2023](#). Only certain benefits are included in the cap, and it doesn’t apply to many disabled people, carers or people who are working. ([For a full description of those exempted see: gov.uk ‘When You’re Not Affected’](#)).

In Scotland, in August 2025, there were 46,239 households getting Universal Credit who had three or more children. Of these, 2,334 (5%) were already affected by the benefit cap (StatXplore), prior to the abolition of the two-child limit.

[Policy in Practice](#) has estimated that, because of the benefit cap, one in ten families (10.5%) won’t gain at all from the abolition of the two-child limit.

The gap between the frozen benefit cap and the basic level of benefits is getting smaller as benefits are uprated for inflation each year.

[Since January 2023](#) the Scottish Government has had a policy to mitigate the benefit cap as fully as possible. It does this by providing additional budget for Discretionary Housing Payments (DHPs). Spending to date has been below budget, as set out in table 4 below.

Table 4: Budget and spend on mitigating the benefit cap

£m	Budget	Outturn
2022-23	£2.6	£2.5
2023-24	£6.2	£3.5
2024-25	£7.8	£5.0

Sources: [DHP statistics for 2024-25](#), [2023-24](#) and [2022-23](#)

It is unclear whether these underspends relate to poor take-up or difficulties in estimating the budget as there are complex rules around exemptions from the benefit cap.

The table below shows the Scottish Fiscal Commissions forecast for DHP spending including benefit cap mitigation, prior to the effect of abolishing the two-child limit.

Table 5 DHP forecast May 2025.

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Bedroom tax mitigation	74.0	78.5	82.8	87.4	91.2	95.3	99.5
Benefit Cap mitigation	4.9	6.6	8.9	9.6	10.4	11.2	12.1
Other DHPs	7.6	7.9	7.9	7.9	7.9	7.9	7.9
Total	86.5	93.0	99.6	104.9	109.6	114.4	119.5

Source: SFC forecasts, May 2025.

These forecasts will be updated on 13 January. They are normally presented in the supplementary social security tables in the Scottish Economic and Fiscal Forecasts.

Members may wish to discuss;

7. **The cost of mitigating the benefit cap will increase now that the two-child limit has been abolished. Do witnesses have any comments on the Scottish Fiscal Commission's latest forecast for the cost of mitigating the benefit cap through Discretionary Housing Payments?**
8. **Do witnesses think that people who are affected by the benefit cap know to apply for DHPs? What can be done to maximise take-up?**
9. **Are DHPs the best policy choice for mitigating the benefit cap? If not, what are the alternatives?**

Next child poverty delivery plan and meeting 2030 targets

The Poverty and Inequality Commission have already [provided advice on the next child poverty delivery plan](#), and other stakeholders have contributed their views to the Scottish Government. That advice set out how challenging it would be to meet the 2030 targets. In their submission PIC state:

"To meet the 2030 targets, Scotland needs to reduce child poverty by 12 percentage points. While the removal of the two-child limit should result in a reduction of one-to-two percentage points, meeting the targets will require three or four major policy shifts, on the scale of the Scottish Child Payment, backed by significant investment. An extra £155m will not be enough to deliver this but it is a welcome addition."

The Scottish Government's Spending Review, published on 13 January, is [expected to set out indicative resource spending plans up to 2028/29](#). At time of writing it is unclear what level of detail will be available, and whether it will provide any further information on investment towards meeting the 2030 child poverty targets.

The Scottish Government has been clear that the UK context is important for achieving the Scottish child poverty targets. Explaining why the interim targets were

missed, the [June 2025 child poverty delivery plan progress report](#) set out a range of factors, including that:

“The policies implemented at UK level in the social security space have counteracted Scottish Government efforts to reduce child poverty.”

As this Committee discussed on 18 December, the UK Government has now published its child poverty plan. In addition to abolishing the two-child limit, other policies in reserved areas include:

- Increasing the minimum wage, and strengthening workers’ rights
- Above inflation increases to basic rate of Universal Credit, increased childcare support and fair repayment rates.
- Reforms to the Child Maintenance Service

Members may wish to discuss:

10. Witnesses have been clear that further, large scale, policies are needed to meet the 2030 child poverty targets. Can they give examples of the types of policy required? Is there evidence of spending on the scale required set out in the Scottish Government’s Spending Review?

11. Do the policies included in the UK Government’s Child Poverty Strategy change witnesses’ recommendations about what should be included in the next Scottish child poverty delivery plan?

Cross government working

The Committee received a [written submission from the Secretary of State for Scotland](#) on the UK Child Poverty Strategy. The letter stated:

“The publication of this strategy is only the beginning. We are committed to working in partnership with the Scottish Government and Parliament, and wider stakeholders in Scotland, as we begin implementation, monitoring and evaluation of its impact.”

and that:

“We are particularly proud that this strategy has been built in partnership with civil society and community organisations across the UK”.

At Committee on 18 December, the Cabinet Secretary expressed her frustration about the lack of cross-government working during the development of the Strategy, describing engagement as ‘sub-optimal’. She described how:

“we had ministerial discussions. However, I would not call them discussions because we provided them with information and ideas about what we thought were the priorities, as did other nations, but no genuine or substantive discussion really took place.” ([SJSS Committee Official Report, 18 December, col 4](#)).

Looking ahead, the Cabinet Secretary said she was keen to work with the UK Government on the monitoring, evaluation and implementation of the Strategy and that she would hope to pick up those discussions early in the new year. ([SJSS Committee Official Report, 18 December, col 6](#)).

Members may wish to discuss:

- 12. The Secretary of State for Scotland wrote to this Committee saying that the UK Child Poverty Strategy was: “built in partnership with civil society and community organisations across the UK.” What involvement did witnesses have in the development of the UK Government’s Child Poverty Strategy?**
- 13. Can witnesses give examples of specific policy areas where collaboration between the UK and Scottish governments is particularly important in order to achieve reductions in child poverty?**

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Date: 09/01/2026**

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