Social Justice and Social Security Committee
Thursday 05 February 2026
5th Meeting, 2026 (Session 6)

Scottish Government Social Justice budget 2026-27 and Spending Review

The Committee will hear from:

- Shirley-Anne Somerville, Cabinet Secretary for Social Justice
- Julie Humphreys, Director for Tackling Child Poverty and Social Justice
- Stephen Kerr, Director for Social Security
- Adele Corner, Finance Lead, Social Justice

Introduction

This paper suggests themes for discussion with the Cabinet Secretary on:

- Spending Review 2026-27 to 2028-29
- Scottish Government Social Justice portfolio budget 2026-27
- Scottish Government response to the Committee's pre-budget report.

It also picks up progress on last year's pre-budget report on third sector funding principles.

Background

The Committee undertook pre-budget scrutiny in autumn 2025, focusing on social security spending and published its report on 18 November.

The budget was published on 13 January, since when the Committee has heard from:

- CPAG, Fraser of Allander, and One Parent Families Scotland on how the Scottish Government has re-invested the funds from the two-child limit mitigation payment.
- Social Security Scotland on their budget and plans for 2026-27.
- The Scottish Fiscal Commission on their social security spending forecasts.

Pre-budget report

The Scottish Government responded to the Committee's pre-budget report on 13 January.

The pre-budget report looked broadly at future social security spending. The report was in ten parts. Key themes from the report and the Scottish Government's response are summarised below.

Part 1: Resource budget, Medium Term Financial Strategy and Fiscal Sustainability Delivery Plan

The Committee asked for information on the choices made to fund social security and for how funds no longer required for mitigating the two-child limit had been spent.

The Scottish Government pointed to the Medium Term Financial Strategy, Fiscal Sustainability Delivery Plan, Scottish Budget and Spending Review. Specifically, on re-investing 'two child limit' funds, it set out the allocation of the £10m available in 2025-26, and for 2026-27 forwards referred to: uprating SCP, developing a £40 SCP for babies from 2027-28, new annual £50m 'Whole Family Support Fund' and increasing the Tackling Child Poverty fund to £61.5m in 2026-27.

Part 2: Forecast growth in devolved social security spend

The Committee recommended that the effectiveness of cash payments versus public service provision should be evaluated and that more complex analysis was required on how social security interacts with services to reduce poverty.

The Scottish Government stated that: "a thorough analysis is needed to ensure that policies consider a balanced approach to supporting routes out of poverty," but that it's not yet possible to undertake cumulative quantitative modelling for all child poverty policies. The current social security evaluation programme is ending in summer 2027, and a new strategy will be developed. This will include examining wider outcomes and longer term impacts.

On administrative spending, the Committee asked what metrics were used to assess value for money. The Scottish Government stated that Social Security Scotland's administrative spend in 2024-25 is 4.9% of benefit spending, (compared to DWP's 6.3%), and confirmed that there is no reporting on the cost of administering individual benefits as the agency "needs to maintain flexibility in its workforce to meet demand."

Part 3: Taxation

The Committee asked for updates on council tax reform and research on wealth taxes. The Scottish Government replied that they commissioned a literature review on wealth taxes and, together with COSLA, have launched a consultation on council tax.

Part 4: Effectiveness of devolved social security spend: reducing child poverty

The Committee asked whether the Scottish Government had investigated removing the 'cliff edge' in Scottish Child Payment and asked about progress in improvements to the Family Resource Survey.

The Scottish Government referred to research showing SCP was not having a negative impact on labour market outcomes at scale and they will continue to analyse its impact on work incentives. Scottish Government analysts have been working closely with the DWP to ensure Scottish interests are represented in the ongoing work to improve the Family Resources Survey, and the Scottish Government has funded a 100% sample boost in Scotland since 2002.

Part 5: Effectiveness of devolved social security spend: disability benefits

The Committee asked for updates on: publication of a report on drivers of disability benefits, information gathered on the impact of ADP on the lives of disabled people, research on how ADP fits with wider support for disabled people, any work being carried out on the adequacy of disability and carer payments, and whether disability benefits reflect the needs of people with specific conditions such as multiple sclerosis, chronic pain and premenstrual dysphoric disorder.

The Scottish Government confirmed publication in February of a report on 'Understanding the Drivers of Change in Demand for Disability Benefits' and are working on analysis of disability benefit take-up. The disability equality plan will be updated in 2026, and the Scottish Government is exploring how reporting on ADP spend can better reflect its role in supporting disabled people. While there is no specific work on adequacy, the Scottish Government noted that, in the client survey, 72% of ADP clients gave high scores for how much payments helped make a difference to their life and helped them pay for what they needed.

Part 6: Support for Carers

The Committee asked why forecast spend on carer payments is increasing, and how improvements could be made to holistic support for carers and the adequacy of carer benefits.

The Scottish Government noted that increased spend on carer benefits is linked to increased spend on disability benefits, and that the earnings threshold was increased to £196 per week from April 2025. Consideration of further improvements will take into account responses to the 2022 consultation and evaluations due to be published in spring and summer this year. Further changes will need to take account of affordability, sustainability, and discussions with DWP on any implications for carers' wider support. Beyond social security, the Care Reform (Scotland) Act 2025 establishes a right to a break from caring and increased funding enabling up to 15,000 carers to take short breaks.

Part 7: Take-up rates and Minimum Income Guarantee

The Committee asked for an update on joint work with the UK Government on benefit take-up and whether a Minimum Income Guarantee would reduce the need for social security spending.

The Scottish Government allocated £16.9m to income maximisation support, welfare and debt advice in 2025-26. The response noted that the UK Government does not have a benefit take-up strategy and recognises there is scope for improvement in taking a joined-up approach across Government on energy costs.

The Scottish Government responded to the MIG working group on 18 November 2025 and noted that 'a considerable portion of our social security investment is currently spent mitigating against some of the worst impacts of UK Government decision making' referring to £144m in 2025-26 on DHPs and the Scottish Welfare Fund.

Part 8: Prevention

The Committee asked what modelling was done on whether successful implementation of the Population Health Framework will reduce demand for social security, whether social security is being used to prop up 'failure demand,' and what impact the Tackling Child Poverty Delivery Plan will have on social security spend.

The Scottish Government stated that the development of the Population Health Framework did not include specific modelling on social security demand but drew on evidence such as the Scottish Fiscal Commission's Fiscal Sustainability Report on the economic and fiscal implications of different courses of population health over the next fifty years.

On employability, the Committee asked if there are similar schemes to that run by Fife Gingerbread and what is being done to improve employability services.

The Scottish Government referred to work in Renfrewshire, Dundee and East Renfrewshire and noted £90m in 2025-26 for the delivery of devolved employability services.

Part 9: Universal versus targeted benefits

The Committee asked whether modelling was done on the impact on poverty if a proportion of funds for universal services were reallocated to those on the lowest incomes. The Scottish Government stated that they have not modelled this.

Part 10: UK Government policy choices

The Committee asked about conversations Scottish Ministers are having with their UK counterparts to improve information sharing. The Scottish Government noted that, although the reforms to disability benefits were later rolled back, the UK Government had not engaged with them on the issue prior to their announcement in the Commons in March 2025. Later, Sir Stephen Timms 'recognised the importance of including Scottish voices' in the planned steering group for the Timms Review. However, the Cabinet Secretary had had no response to a letter dated 7 November asking for engagement on changes to the motability scheme. The changes were subsequently announced in the UK Budget.

Social Justice portfolio budget

The social justice budget is taking up an increasing share of Scottish Government resource spending.

The total social justice portfolio budget makes up 14.8% of the Scottish Government's resource budget in 2026-27 and is forecast to grow to 15.5% of the resource budget by 2028-29 (SFC forecasts January 2026, fig 5).

The social justice budget increases 4.5% in real terms between 2025-26 (at autumn budget revision) and 2026-27. This compares with a real terms increase of 1.4% in total Scottish Government resource spend. (SFC, forecasts January 2026, fig 4).

90% of the budget is benefit spending and a further 6% is social security administration. Benefit spending is increasing 9% between 2025-26 and 2026-27, driven mainly by disability payments.

2% of the budget is allocated to 'Tackling child poverty and social justice'. This includes the 'tackling child poverty fund' and the 'whole family wellbeing fund' that were both increased using the funds re-invested from the two-child limit mitigation payment. This budget increases by £103m (173%) between 2025-26 (ABR) and 2026-27 budget.

Of the remaining 2% of budget, 1% is not in the committee's remit (equality, inclusion and human rights) and the remainder is on the third sector, providing funds for the regulator (Office of the Scottish Charity Regulator) and third sector infrastructure and development funding.

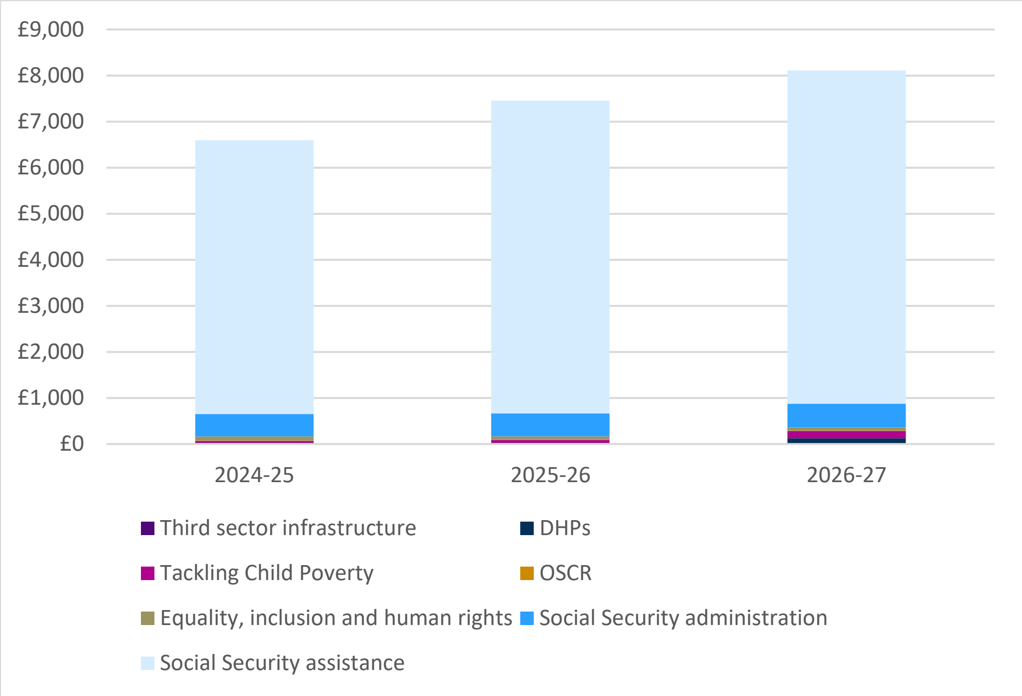
Table 1: Social Justice portfolio budget, Level 2 (cash)

£m	2024-25 outturn	2025-26 ABR	2026-27 budget	% change 24-25 to 26-27	% change 25-26 to 26-27	% of portfolio budget
Third sector infrastructure	£14	£14	£14	2%	1%	0%
DHPs	£15	£16	£109	n/a	n/a	1%
Child Poverty	£40	£60	£163	51%	173%	2%
OSCR	£4	£4	£4	-10%	0%	0%
Equality, inclusion …	£92	£74	£72	-19%	-3%	1%
Social Security administration	£486	£497	£513	2%	3%	6%
Social Security assistance	£5,948	£6,788	£7,231	14%	7%	89%
Total	**£6,598**	**£7,453**	**£8,106**	13%	9%	100%

Source: Scottish Government budget 2026-27. Figures in cash terms.

Chart 1 below illustrates how almost all the social justice budget is social security.

Chart 1: Social Justice outturn 2024-25 and budget 2026-27, £m



Spending Review

The Spending Review set out funding plans up to 2028-29 showing 11% increase over the spending review period in cash terms. The table below shows how the main changes are a 12% increase to social security benefit spending (£880m increase) and an 11% decrease to social security administration spending (-£48m decrease).

Table 2: Social Justice spending review allocations. Level 2. £m (cash).

£m	2026-27	2027-28	2028-29	£ change 26-27 to 28-29	% change 26-27 to 28-29
Third sector infrastructure	£14	£14	£14	£0	1%
DHPs	£109	£118	£124	£16	14%
Tackling Child Poverty	£163	£159	£168	£4	3%
OSCR	£4	£4	£4	£0	5%
Equality, inclusion and human rights	£72	£71	£71	-£1	-2%
Social Security administration	£432	£415	£384	-£48	-11%
Social Security assistance	£7,231	£7,705	£8,110	£880	12%
Total	**£8,024**	**£8,486**	**£8,876**	£851	11%

Source: Spending Review table 6.01: n.b: the spending review figures show capital and fiscal resource. They are not directly comparable with the 2026-27 budget figures in table 1 above which also includes AME, non-cash and financial transactions. This affects social security administration which includes £15m AME, and £66.2m non-cash in 2026-27.

The Spending Review also set out the plan to achieve efficiencies across the public sector of £1.5 billion. The introduction explains:

> "Building on our Public Service Reform Strategy, we will prioritise prevention, join up services locally, and drive efficiency across the system – protecting frontline delivery while reducing duplication and corporate costs. Portfolio Efficiency and Reform Plans set out actions to deliver cumulative, recurring savings of £1.5 billion over the spending review period."

In the social justice portfolio, most of the planned savings will be from Social Security Scotland, given its size. Cumulative savings in the Social Justice portfolio are £27m across the spending review period. Table 3 below shows how these savings comprise workforce savings, reduction in benefit expenditure, digital improvements and savings from developing a new data hub.

Table 3: Social Justice Portfolio Efficiency and Reform Plan

£m	2026-27	2027-28	2028-29
Efficiencies and Productivity, of which	**11.0**	**7.0**	**8.0**
Workforce savings	6.0	4.0	5.0
Reduction in benefit expenditure	2.0	2.0	2.0
Digital improvements	3.0	1.0	1.0
Service reform, of which:	**-**	**-**	**1.0**
Social Security Data Hub with Partner organisation	-	-	1.0

All savings reported are new recurring savings. Source: Spending Review table B.03

The Spending Review states that the workforce savings will be from natural attrition and that non-staff savings from process improvements will:

> "support an improvement in the quality of processing, reduction in errors and improvement in clients' experience, which will lead to benefit expenditure savings of £6m per annum by 2028-29." (Spending Review p.48).

Suggested themes for discussion

Social security benefits: forecast spend above BGA

The Committee’s pre-budget scrutiny focused on the future of social security spending. At the time the forecast gap between spending and BGA funding was over £2 billion in 2030. This has since been revised down to £1.2 billion, mainly because proposed changes to PIP were shelved. The Committee has heard from the Scottish Fiscal Commission that this could change again depending on the outcome of the Timms review into Personal Independence Payment.

If that review recommends changes that reduce spending on PIP, then the funding to the Scottish Government through the PIP BGA will fall.

In response to the Pre-budget report the Scottish Government said that:

> “Sir Stephen Timms recognised the importance of including Scottish voices in the planned Steering Group for the Timms Review. This was welcomed by the Scottish Government.”

In their report on ADP, published in September, Audit Scotland stated that:

> “the Scottish Government does not have a clear strategy in place to manage risks arising from any UK decisions on benefit spending that could reduce the size of the Scottish budget.”

Although the figures involved have changed since Audit Scotland published their report, the underlying point remains that changes to UK Government policy can affect the Scottish Government’s budget. Last week Professor Graeme Roy (SFC) explained how:

> “Even though we have tax devolution and social security devolution the decisions that can be taken in the Scottish Parliament and the funding implications for the Scottish Parliament’s budget are still heavily determined by what happens in the UK Government.” (SJSS Committee, 29 January, 10.30am)

He discussed the fiscal framework, emphasising the issues of managing demand-led spending as well as the impact of UK Government policy decisions. He highlighted:

> “The exposure of the Scottish budget to policy decisions at a UK level that might happen quite late in the process and the ability for the Scottish Government to then respond to that. […] I do have sympathy that the Government has to wait for the UK Budget and then produce its own budget in a very short period of time and there could be significant policy changes in that budget and that makes it very difficult for the Scottish Government to plan their budget. […] If there’s anything that could be done to give greater flexibility there, then that could potentially be positive for fiscal management.” (SJSS Committee, 29 January, 10.38am).

Members may wish to discuss:

1. **Audit Scotland recommended that the Scottish Government should have a clear strategy to manage risks to the Scottish budget arising from UK Government decisions on benefit spending. Does the Scottish Government see the need for such a strategy?**
2. **To what extent does the fiscal framework affect policy choices in social security spending?**
3. **Is the Scottish Government confident that the implications for devolved benefits will be fully considered in the Timms review?**

Social security administrative costs

The administrative budget for Social Security Scotland is increasing this year because it is taking over functions from the Scottish Government Social Security Programme. At Committee on 22 January, David Wallace described the budget as:

> "a good strong settlement which allows us to deliver those benefits and drive improvements." (SJSS Committee, 22 January, 09.15am).

Programme Closure

Earlier he emphasised that:

> "The closure of the programme is a key significant milestone in the devolution of social security. […] There has also been a DWP programme as well so for the first time we will enter an environment where we don't have a programme in the Scottish Government and we don't have a dedicated programme in DWP. I cannot overplay the significance of this point in time. (SJSS Committee, 22 January, 9.05am).

He described how the Programme is now much reduced from its height, when it employed over 800 staff. The capability that is being transferred is about supporting live benefits and also providing 'change capability':

> "We also want to be in a position that whatever administration may be in future when demands are made to continue to refine or change policy […] we're in a position where we're not having to stand up all of that capability from a standing start." (SJSS Committee, 22 January, 9.08am)

The table below shows how around £40m fiscal resource and around £40m capital funding is being transferred from the Scottish Government to Social Security Scotland in 2026-27. This leaves the 'policy and delivery' function within the Scottish Government with a resource budget of £32m. Because this is movement within the 'social justice' budget portfolio, the total social security administration budget remains at a similar level in 2025-26 and 2026-27.

Over the following two years, the total budget for social security administration falls, but the split between policy and agency is not available.

Table 4: Social Security administration, policy and development. 2025 to 2028.

£m	2025-26	2026-27	2027-28	2028-29
Social Security Scotland				
fiscal resource	312.1	354.6	n/a	n/a
capital	4.1	40.0	n/a	n/a
Policy and Delivery			n/a	n/a
fiscal resource	70.6	31.5	n/a	n/a
capital	39.9	0.0	n/a	n/a
Scottish Welfare Fund administration - initial budget	5.5	5.5	n/a	n/a
TOTAL	**432.1**	**431.6**	**415.4**	**384.4**

Source: Scottish Budget 2026-27 'level 4' figures, Spending Review table 6.01.
NB: to allow comparison between budget and spending review, the table only includes fiscal resource and capital. For 2025-26 it also adds back in the Scottish Welfare Fund administration budget, which is moved to local government at the autumn budget revision.

Staff Numbers

Social Security Scotland's latest workforce statistics reported that they employed 4,345 staff in September 2025 (4,152 FTE). The staffing budget for 2025-26 was set out in that year's business plan as £238m.

The Digital Delivery and Change function will have around 820 staff and digital staff costs are expected to be around £70m 2026-27.

> "By 2026-27, a consolidated and streamlined Digital Delivery and Change function established in Social Security Scotland will operate with around 820 FTE […] After the programme closes, digital staff costs are expected to be about £70 million in 2026–27, down £31 million from a peak of £101 million in 2022–23." (Spending Review p.48).

The budget shows around £40m resource transfer from Policy and Programme to Social Security Scotland (table 4 above). Around 187 staff will transfer at the end of March 2026 (PQ SW6-43050).

David Wallace told the Committee that once the agency is experienced in running a benefit, then staff headcount can be reduced.

> "once we can get stability and once we get some experience of those benefits we have also demonstrated that we can bring that headcount of staff downwards." (SJSS Committee, 22 January, 09.10am).

Public service efficiencies and reform

As set out in the background section, cumulative savings of around £27m are planned from the Social Justice budget across the spending review period. This is part of Portfolio Efficiency and Reform Plans aiming to achieve £1.5 billion cumulative savings and efficiencies. Most of the £1.5 billion projected savings and efficiencies are to come from the health budget, with savings of £384/£374/£303m over the years 2026-27, 27-28, 28-29. (Table B.01, Spending Review).

At Committee on 22 January, David Wallace explained that developments by the agency can help find efficiencies across the public sector. He said it's vital that the agency contributes to public sector reform, saying:

> "We have efficiencies we can make which are efficiencies for ourselves, for our clients, for our processes. We need to do these things to reduce running costs and become more efficient. We recognise that as a new public service we're interacting with lots of other parts of the public sector […] so we can be a driver for public service reform not just for us and focusing on our headcount but properly looking at public service reform, putting clients at the heart of it." (SJSS Committee, 22 January, 10.24am)

He gave the example of using their data to drive improvements in other parts of the public sector such as using SCP data to enable and automate payments for free school meal entitlement. He also described how the agency needs to build a new payment platform, as the DWP platform they currently use expires.

> "There is an opportunity for us to do that in a way which is an opportunity for other public bodies in Scotland." (SJSS Committee, 22 January, 10.25 am).

Fraud and error

The Scottish Parliament needs to pass regulations to enable Social Security Scotland to require clients to provide information. This will enable the agency to estimate levels of fraud and error in the system. The relevant Act, (The Social Security (Amendment)(Scotland) Act) received Royal Assent in January 2025. Before the regulations can be brought forward by the Scottish Government the Act requires Scottish Ministers to consult publicly on the categories of individuals who are not to be requested to provide information. That consultation has not yet been published.

Members may wish to discuss:

4. **The Scottish Budget increases Social Security Scotland's fiscal resource budget by around £40m. A recent answer to a PQ[1] said that 187 staff are moving from the Scottish Government to the agency. What else is included in the £40m resource budget increase?**

5. **The 'Policy and Delivery' function within the Scottish Government has a budget of £32m in 2026-27. What does this include now that live running and digital development functions are moving across to Social Security Scotland?**

6. **The Spending Review sets out cumulative savings and efficiencies for Social Security Scotland of £27 million across the spending review**

[1] PQ SW6-43050

period. Is this proportionate, given the large scale of the social security budget?

7. **On 22 January David Wallace told this Committee that Social Security Scotland can drive public service reform and efficiencies. He referred for example to their new payment platform and to data sharing. How will the Scottish Government evaluate the extent to which the agency contributes to efficiencies across the public sector?**

8. **When does the Scottish Government intend to bring forward regulations that would enable Social Security Scotland to estimate levels of fraud and error in devolved benefits?**

Child poverty measures

Budget narrative on child poverty

There is no budget line which represents total spend on measures to tackle child poverty. The narrative on child poverty mentions a variety of policies. Some continue existing policy commitments (for example 1,140 hours funded childcare), some are not specifically focused on families with children, although they will benefit from them (for example, removal of peak rail fares, affordable housing). New spending focused on families with children includes:

- Reinvesting £126m 'two child limit funds' on measures to tackle child poverty (see below).
- Begin work on developing an SCP premium for babies under one, benefiting around 12,000 children from 2027-28.
- Additional £2.5m on Scottish Football Association Extra Time programme.
- £40m for 'Summer of Sport' for Scotland's children.
- Additional £15m for 'Bright Start Breakfast Fund', with a national offer by August 2027.

Two child limit funds

In its Pre-Budget Report, the Committee asked how funds no longer required to mitigate the two-child limit had been spent. The policy costing by the Scottish Fiscal Commission is set out below.

Table 5: Forecast cost of two child limit mitigation

£ million	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
TCLP forecast	10	141	154	165	176	185

Source: SFC January 2026 forecasts, fig 5.6

The Scottish Government saved £141m in 2026-27 from not having to mitigate the two-child limit. The 'net' amount available for reinvesting is £126m, after accounting for increased spending on mitigating the benefit cap and eligibility for the Five Family Payments. A news release on 16 January set out the following allocations.

Table 6: Allocation of 'two child limit funds'

£ million	2026-27
Spending on benefit cap mitigation and five family payments.	14.0
Whole Family Support Fund	50.0
Tackling Child Poverty fund	61.5
SCP uprating	21.0
Total	**146.5**

Source: Scottish Government news release, 16 January.

Commenting on these figures the Fraser of Allander Institute said:

> "While we welcome additional clarity provided by a news release this morning, the picture that emerges is still murky and unlikely to instil confidence that the Scottish Government is taking the action needed to meet its goal of eradicating child poverty."

Of the £146m attributed to child poverty measures in that news release:

- £14m was additional spend on the additional demand created on existing policies to mitigate the benefit cap and to meet increased eligibility for the Five Family Payments (including the Scottish Child Payment).

- £50m is new annual funding through a Whole Family Support Fund. This is described in the Scottish budget as including:

  > "a dedicated fund of £20 million for Third Sector partners to deliver the support that people need in their communities to get into and stay in work; and, through the RISE initiative (Raising Income through Skills and Education), giving colleges access to a projected £8 million of funding to deliver new or expanded initiatives to help adult learners get the skills and qualifications needed to secure new employment opportunities.."

- £61.5m for the Tackling Child Poverty Fund. This is an increase of £49m on 2025/26 budget for this fund. The Scottish budget level 4 workbook says:

  > "There has been an increase to the Tackling Child Poverty Fund ahead of publication of the third Tackling Child Poverty Delivery Plan in March 2026 and an increase in the debt levy funding from the UK Government."

- £21m is to uprate the Scottish Child Payment. The Scottish Government has a statutory duty to uprate the Scottish Child Payment, so it would have had to allocate this money for uprating regardless of policy on the two-child limit. The Fraser of Allander Institute states that: "Under no reasonable definition can this be considered additional spend."

Further details about the measures in the Whole Family Support package, alongside the Tackling Child Poverty Fund, will be set out in the Tackling Child Poverty Delivery Plan due at the end of March.

At Committee on 15 January stakeholders welcomed the additional investment but were disappointed that it was not spent on social security.

John Dickie (CPAG) welcomed the measures announced, but said:

> "We are particularly disappointed that the £126 million that was freed up by the abolition of the two-child limit at United Kingdom level has largely been taken out of social security support for families." (SJSS Committee, 15 January, col 3).

He stated that the same money could have increased the Scottish Child Payment:

> "The £126 million that was freed up with the abolition of the two-child limit could have paid for an uplift to around £35 per week in the Scottish Child payment for all children from April this year. Had that choice been made, it would have had a substantive impact. It would have lifted around 10,000 children out of poverty, which is potentially a 1 percentage point reduction in the levels of child poverty." (SJSS Committee, 15 January, col 4).

He was also concerned that the £50m 'Whole Family Wellbeing Fund' should not be too thinly spread to have an impact. He said:

> "A figure of £50 million sounds like a lot, but if we consider that we have 32 local authorities and many third sector organisations, and that a lot of good things can be done to help low-income families with children, we can see that it could disappear pretty quickly. It is therefore important that the plan sets out a strategic approach to using those resources that will address the fundamental drivers of child poverty in a systematic and strategic way that will have a demonstrable impact on the overall levels of child poverty in Scotland." (SJSS Committee, 15 January 2026, col 6).

Tracking spending

At Committee on 15 January, Dr Randolph (Fraser of Allander Institute) commented that:

> "it is quite difficult to tell where the £126m is going […] that is part of a wider lack of clarity on what is spent on child poverty. […] We would welcome a lot more clarity on where the £126 million has been reallocated to, how it relates to additional funding and what is going into each year in the delivery plan. We would also welcome, in general, an easier way to track that spending." (SJSS Committee, 15 January 2026, col 5).

Meeting the 2030 targets

The Scottish Budget documents state that:

> "Eradicating child poverty remains our top priority, and our investment decisions reflect this."

The Scottish Government's response to the pre-budget report states that:

> "the Scottish Spending Review sets out multi-year funding envelopes to effectively and efficiently deliver the core priorities of this Government, underpinned by our commitment to fiscal sustainability."

On 15 January, Dr Randolph (Fraser of Allander Institute) referred to policy options developed by the Joseph Rowntree Foundation, that would meet the 2030 targets. She said that the level of required investment:

> "is in the order of billions rather than millions. We do not see that level of investment in the spending review, although there is no particular line item that says, "This is the spending on child poverty." (SJSS Committee 15 January, col 19)

John Dickie, (CPAG) reflected that:

> "The evidence is absolutely clear that there is no credible path to meeting the 2030 child poverty targets without further substantive investment in social security." (SJSS Committee 15 January, col 3)

Similarly, in their advice on the new Child Poverty Delivery Plan, the Poverty and Inequality Commission said that meeting the 2030 targets will require significant additional resource.

> "This will require three or four major policy shifts, on the scale of the Scottish Child Payment, backed by significant investment alongside targeted actions."

The spending review describes spending plans on tackling child poverty. These include continuing current policies (such as 1,140 hours funded childcare), re-investing the 'two child limit funds' and expanding breakfast clubs. The third Tackling Child Poverty Plan to be published in March 2026 will:

> "set the path to our statutory child poverty targets, with actions to increase income from employment; increase income from Social Security and benefits in kind; and reduce the cost of living."

Joint work with UK Government

On 15 January stakeholders were asked which policy areas would benefit from joint working between the Scottish and UK Governments. Areas mentioned were:

- Reform of Child Maintenance Service, with potential for the Scottish Government to fund advice services (Charis Chittick, OPFS)
- The 'young parent penalty' in Universal Credit (people under 25 get a lower standard amount) (Charis Chittick, OPFS)

- Reducing housing costs and improved access to childcare (John Dickie, CPAG). He described how:

> "There are ways of thinking about whether, if the Scottish Government invested in housing or childcare in a way that reduced demand on social security support for those costs, there would be a way of bringing that money back into the system in Scotland to further invest in housing and childcare, and vice versa. More thinking needs to be done, but there is scope for serious joint working in those areas." (SJSS Committee Official Report, 15 January, col 25)

Members may wish to discuss:

9. **Can the Cabinet Secretary explain why she chose to spend the 'two child limit' funds in the way that she did? What is her response to arguments from the Child Poverty Action Group that the funds would have been better spent on increasing the Scottish Child Payment to £35 per week?**

10. **The Scottish Government has a statutory duty to increase benefits by inflation. Can the Cabinet Secretary explain why uprating the Scottish Child Payment has been included in the list of spending allocated from the 'two child limit funds'?**

11. **Stakeholders have told this Committee that further large-scale policy initiatives are needed to create a credible path to meeting the 2030 targets. Does the Scottish Government agree? If so, can the Cabinet Secretary explain how this is reflected in the Spending Review?**

12. **One Parent Families Scotland told this Committee that they would like the Scottish Government to fund advice services on the Child Maintenance Service. What is the Cabinet Secretary's response to this request?**

13. **Child Poverty Action group suggested that there is "scope for serious joint working" between the Scottish and UK Governments on housing and childcare. What is the Cabinet Secretary's view?**

Disability benefits

Independent review of ADP

The Scottish Government was due to publish an initial response to Edel Harris's report by the end of January. At time of writing it had not yet been published. Scottish Government officials confirmed that the response is expected to be published in the next few weeks.

The Independent Review of ADP by Edel Harris, made 58 recommendations ranging from detailed operational matters to broader policy considerations. The Committee discussed the report on 27 November, when Ms Harris described her intention in making her recommendations was to:

- build on good foundations,
- improve the client experience, promote timely decision making, and
- ensure a modern, outcomes-focused approach to eligibility.

Her report gave some initial costings for some of the recommendations, but on many of them, in particular recommendations to revisit eligibility criteria the report noted that:

> "Costing the impact of potential changes to the activities, descriptors, and case manager guidance is therefore a far larger undertaking than what is possible within the scope of this review."

Ms Harris told the Committee on 27 November that her reforms would not necessarily result in increased expenditure:

> "I have been told many times that it is going to cost too much money if all the recommendations are implemented and that it will not be possible to do that. There will, of course, be some additional costs because some of my recommendations deal with changes to systems, processes and policies, which all comes at a cost. However, I do not think that it necessarily follows that there will be a recurring cost and an increase in benefit expenditure. Someone would have to do the work on that, but I do not think that reviewing the eligibility criteria to meet all the purposes that I outlined earlier would necessarily mean that more people would be eligible and that there would therefore be a bigger cost. It would just mean that we would have a system that was based on human rights and on the social model of disability. (SJSS Committee Official Report, 27 November 2025, col 14)

Wider support for disabled people

Audit Scotland's report on ADP recommended that the Scottish Government:

> "In 2026, produce and publish a disability strategy for Scotland that considers how ADP works alongside other services and interventions and contributes towards meeting national outcomes. Once in place, there should be regular reporting including detailing how ADP spending is working alongside other spending to support disabled people, and what differences it is making."

Picking up this theme, in its pre-budget report, the Committee asked how ADP fits with wider support for disabled people. The Scottish Government referred to plans to update the disability equality plan in 2026, and that they are exploring how reporting on ADP spend can better reflect its role in supporting disabled people.

ADP Reviews

The Fiscal Sustainability Delivery Plan was published in June 2025. In the context of discussing: "key reform programmes and actions underway across the Scottish Government that we expect to have a positive impact on the public finances in the medium to longer terms" the Plan stated that:

> "we will assess whether the current award review process is working as intended and if any changes may be required. This will aim to ensure the review process continues to meet the eight principles contained in the Social Security (Scotland) Act 201817 including that the system is to be efficient and deliver value for money, whilst maintaining our commitments to supporting disabled people, treating clients with dignity, fairness and respect, and maximising benefit take-up."

In the Cabinet Secretary's response to the Committee's pre-budget report, she said:

> "The work referred to in the Fiscal Sustainability Delivery Plan on the review process for Adult Disability Payment is well underway and the Cabinet Secretary for Social Justice will consider the findings."

Asked about reviews on 22 January, David Wallace said:

> "The review process is not about trying to reduce the caseload or the money. It's taking a look at the client, at their circumstances, and applying the legislation. […] If moving people off the caseload is the aim of the policy then we need to look at the eligibility criteria rather than the review process." (SJSS Committee 22 January, 10.02am)

Members may wish to discuss:

14. **In response to the Committee's pre-budget report, the Scottish Government said that it is: "exploring how reporting on ADP spend can better reflect its role in supporting disabled people". Can the Cabinet Secretary expand on what that work involves?**

15. **What is the Scottish Government's estimate of the cost of implementing the recommendations in the Independent Review of ADP? To what extent will cost be the deciding factor in the Scottish Government's response?**

16. **The Fiscal Sustainability Delivery Plan set out measures intended to 'have a positive impact on public finances.' This included considering whether ADP reviews are operating as intended. Do you expect this 'review of ADP reviews' to identify potential savings?**

Preventative Spend

The Committee's Pre-budget report included consideration of preventative spend. As set out in the background section, the Committee asked about the links between the Population Health Framework and social security spending, and what impact the Tackling Child Poverty Delivery Plan will have on social security spending.

In reply the Scottish Government stated that the development of the Population Health Framework drew on evidence such as the Scottish Fiscal Commission's report on the economic and fiscal implications of different courses of population health over the next fifty years. That report stated that:

> “The ageing of the Scottish population over the next twenty-five years is largely inevitable, but the costs associated with that are not. With growth up to 2050 in the number of people aged 75 to 85, and 85 and over, there is potential to act now to improve the health of those cohorts as they age.

It also referred to the value of evaluating potential interventions, saying:

> “evaluation of preventative spend interventions and assessment of the evidence on how to improve population health can help direct effective change to improve population health and Scottish Government fiscal sustainability.” (SFC, Fiscal Sustainability Report update, para 30-31)

The chamber debate on Committee Pre-budget Reports discussed preventative spend. The Cabinet Secretary for Finance said:

> “Investment now to mitigate the harms of poverty can reduce future demand on acute services and increase participation in the labour market. That is why we are developing a method to identify and track preventive spend through the Scottish budget, with work under way to develop pilots, and first results planned for publication in the summer.
>
> We share the view of the Social Justice and Social Security Committee that prevention plays a critical role in ensuring the long-term sustainability of social security spend. We recognise the risks of increasing demand on public services and believe that investing in a fairer system today can reduce costs in the future.” (Chamber Official Report, 21 January 2025, col 35)

The Spending Review states that:

> “successfully delivering our goal of eradicating child poverty will contribute to improved outcomes and prevent unnecessary spend on public services”

A scoping review on the drivers of change in demand for disability benefit, published on 29 January linked rising cases to declining health, although it also noted the need for more research:

> “This review found that there is evidence to suggest that changes in population health (particularly declining mental health but also increases in other health conditions) and demographic changes (notably an ageing population and rising state pension age) have driven demand for disability benefits.”

Members may wish to discuss:

17. **What does the Cabinet Secretary consider are the key linkages between health and the levels of spending on social security? How is this reflected in Scottish Government policy?**

18. **Can the Cabinet Secretary provide further detail on how the pilot for tracking preventative spend will encompass social security spending?**

Third sector funding

This Committee looked at third sector funding principles in its pre-budget scrutiny of the 2025-26 budget. Two key issues were:

- Multi-year funding, and
- Timely notification of grant funding

Multi-year funding

In February 2025 the Scottish Government announced a 'Fairer Funding Pilot' which provides two year funding for certain third sector organisations. The pilot:

> "will support projects in areas including health, education, poverty and culture and have a total value of £61.7 million in 2025-26 and £63.2 million in 2026-27."

Interim findings published in November reported that the scheme included 51 grants, including:

- Children's Advocacy in Children's Hearings (11 third sector delivery organisations)
- The Communities Mental Health and Wellbeing Fund for Adults (comprising 32 local authority third sector interfaces, which in turn disburse grant funding to third sector organisations within each local authority area)
- The Access to Childcare Fund (5 local childcare-related third sector organisations)

Initial findings are positive, with the majority of respondents saying the Pilot had made a positive difference to

- their ability to plan further into the future (86%)
- the stability of the organisation (75%)
- staff recruitment and retention (76%)

One comment was:

> "Having a two-year settlement has offered a degree of stability beyond what a single-year extension would have provided. This has reduced uncertainty, supported staff retention, enabled more strategic planning, and allowed us to give other funders confidence around match funding."

The Spending Review stated that this pilot is a 'first step':

> "In 2025-26 we launched the Fairer Funding pilot, focused on grants connected to tackling child poverty and the delivery of frontline services to our

> communities, which is the first step to increasing multi-year funding agreements more widely across the third sector." (Spending Review p.3)

The budget documents go further, referring to a three-year settlement for disabled people's organisations:

> "Disabled People's Organisations undertake vital work to support disability equality, inclusion and accessibility. That is why we are delivering a 3-year settlement for this sector to give them greater certainty to plan their services. We will deliver £3.5 million of funding in 2026-27, 2027-28 and 2028-29."

Grant notifications

Another key issue explored by the Committee in 2024 was late grant notifications. This was one of the main issues arising at the Committee's workshops. The Committee asked what steps the Scottish Government was taking to address this in 2025-26. In response the Scottish Government referred to 2024-25 as a baseline, when 58% of grants were notified by the end of March. For 2025-26 the response said:

> "Confirmation of funding to all our key partners and stakeholders for 2025-26 will be made as soon as possible after the Budget statement"

SCVO response

Responding to the budget, SCVO welcomed the commitment to multi-year funding for sections of the voluntary sector but said,

> "Today we had hoped for more than a recommitment to the 'first step' announced last February—the Scottish Government's 'Fairer Funding' pilot.
>
> […]
>
> "Multi-year funding alone, however, will not provide the sustainable funding environment the voluntary sector so desperately needs, funding that is flexible, sustainable, and accessible.

Acknowledging that reform is unlikely before the end of the Parliament, they said:

> "In the meantime it is essential that in the weeks following the Scottish Budget the Scottish Government support local authorities and voluntary organisations by meeting their commitments to timely notifications and payments."

Members may wish to discuss:

19. **What has been learnt from the multi-year funding pilot for the third sector? What is the scope for extending this to more organisations?**

20. **What is the Scottish Government doing to ensure timely notifications and payments to voluntary sector organisations? What proportion of grants for 2025-26 were notified by the end of March 2025?**

Camilla Kidner, Senior Researcher, SPICe

Date: 29 January 2026