CPAG's 2025 pre-Budget briefing

November 2025

Summary

- There are a record 4.5 million children living in poverty in the UK today. CPAG forecasts that without further action this number will rise to 4.7 million by the end of this parliament.
- The government must invest in social security to reduce child poverty, boost living standards overnight and improve wider economic, health and educational outcomes.
- **The top priority is scrapping the two-child limit for all children**. This is the key driver of rising child poverty, so scrapping it would be the most cost-effective way to reduce child poverty. Forecasts show that not scrapping the limit in its entirety will mean child poverty is likely to rise over this parliament.
- Another key priority is removing the benefit cap, which pushes poor families into even deeper poverty. Our analysis shows that some affected families can be left with £3 a week to live on after rent. Abolishing the benefit cap would reduce the depth of poverty for 300,000 children, and ensure that capped families benefit from the scrapping of the two-child limit.
- Wider reforms to social security are needed to reduce child poverty further, including increasing the adequacy of children's and other benefits.

Introduction

There are a record 4.5 million children living in poverty in the UK today, and without further government action, CPAG forecasts this will reach 4.7 million by the end of this parliament.[1] Shortly after it was elected, realising the importance of reducing child poverty, the government set up a Child Poverty Taskforce to oversee the development of a UK-wide cross-government child poverty strategy. We strongly encourage government to use its fiscal powers at this forthcoming Budget to reduce child poverty.

Reducing child poverty is the right thing to do. Investing in the social security system raises the living standards of millions of families across the country overnight, helping to give children the best start in life. The evidence is overwhelming that investing in social security also has a variety of positive knock-on effects on children's health, development, educational and economic outcomes.[2] Governments generally must choose between spending money to provide short-term improvements for their populations or making long-term investments in the future. But reducing child poverty by investing in social security does both.

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[1] The results presented here are based on UKMOD version B1.13 UKMOD is maintained, developed and managed by the Centre for Microsimulation and Policy Analysis (CeMPA) at the University of Essex. The results and their interpretation are the author's sole responsibility.

[2] K Stewart, J Millar, A Marsh and J Bradshaw, *Ending Child Poverty: Why and how*, CPAG, 2024

Priority policy recommendations for tackling child poverty

Scrap the two-child limit

All children are equal, no matter how many siblings they have. Growing up free from poverty can support a decent childhood and a successful future. Scrapping the two-child limit is essential to ensure government meets its manifesto commitment to reduce child poverty within this parliament, and is a crucial first step towards giving all children the best start in life.

The policy is a hangover from austerity that continues to affect more children every day. An estimated 109 children are pushed into poverty every day by the policy and this will continue until the first children affected by the policy turn 18, in 2035. For children and young people, every day matters.

The majority of children affected by the two-child limit live in working households, and households where there are three children.

The two-child limit is the key driver of rising child poverty, and removing it is the most cost-effective way of reducing child poverty. Scrapping it today would reduce child poverty by 350,000, and reduce the depth of poverty for 700,000 more children, at a cost of £2 billion.[3] Over time, the cost of scrapping the policy will increase (as the two-child limit affects more children over time), but so does the poverty reduction impact.

Every child comes with additional costs, and the social security system should reflect the fact that households with more children have higher needs and should be entitled to support for each additional child. CPAG's recent Cost of a Child research shows that the extra cost of additional children is similar.[4] Meaningful economies of scale simply do not exist at this level. This is because any savings that can be made, on reusing items for example, are marginal costs in comparison to bulky costs that are individual to each child, such as childcare.

The two-child limit is deeply damaging not only to children, but to parents – in particular mothers – too. If any part of the two-child limit policy remains, the egregious 'rape clause' would also have to remain in place, meaning that women survivors of rape will still be required to fight for support for their children, and in some cases miss out entirely.[5]

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[3] See Note 1
[4] CPAG, *The Cost of a Child in 2025*, 2025
[5] CPAG, *The non-consensual conception exemption to the two-child limit – or the 'rape clause'*, 2025

The parents we work with often explain why the policy is so damaging to their families' lives.[6] One mother had to leave her full-time job supporting adults with learning difficulties in order to care for her autistic son. Her husband works full time as a learning support assistant in a school. The two-child limit means that the family does not receive universal credit (UC) support for their third (and youngest) child.

She says:

> *'The two-child limit is the difference between us being in debt and not. We have utilities debt and at the end of the month we have to use credit cards just to keep living.*
>
> *'I've had to cancel one son's gymnastics classes and replaced the other son's violin lessons with a lower quality version and we eat more convenience foods than I'd like. At times my partner and I have gone without a meal so that the children can eat.*
>
> *'I didn't expect to be on universal credit. No one would want to be, and I don't plan to be on benefits for ever. But nobody knows what's going to happen to them.*
>
> *'Two bills I received yesterday wiped out my account and although we'd planned to take the children to a museum as a treat on the last day of the school holiday, I had to cancel it because we didn't even have money for the fare to get there.*
>
> *'Family is so important to me. I shield my children from the fact that we don't have enough money to do things because I don't want them to have the mindset that they are poor. I want them to believe that they can do anything in their lives but it gets harder to shield them as they get older because they're more aware.'*

Another mother works in a local authority setting supporting children who have left care and does a shift of 20 continuous hours each week. This means she barely sees her four children and husband for the best part of two days each week. Her husband works 60 hours a week as a lorry driver. The family does not get UC support for their youngest because of the two-child limit. The couple's work patterns mean they save on childcare but, the mother told CPAG:

> *'I don't see my husband and I don't see my children for the best part of two days. It's a strain on the marriage and on the family.*
>
> *'We can't do family days out and my two youngest can't do afterschool clubs. When it's deciding on the two-child limit, the government needs to put itself in our shoes and try to live on our weekly budget with four children.'*

Scrap the benefit cap

Removing the benefit cap would help some of the most disadvantaged families across the country. There are currently 124,000 capped households, the vast majority of whom are lone parents who are renting in expensive rental areas.[7] The majority of households affected are not large families; the most common family type is a lone-parent family with two children, at least one of whom is very young (under 5 years old). This is because these households have higher needs (and therefore higher benefit entitlement), and lone parents have high barriers to work, meaning they are often unable to earn enough

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[6] Most recent two-child limit related testimonies can be found at CPAG, '1 million children in working families now hit by two-child limit', 2025

[7] DWP, *Benefit cap: number of households capped to May 2025*, 2025

to be exempt from the cap. The logic for the benefit cap remains fundamentally flawed: it has a negligible impact on work incentives, while taking money away from the poorest families.[8]

As the cost of living rises, while the benefit cap threshold remains frozen, the effects of the cap only get worse and worse. Analysis from CPAG found that a lone parent with three children renting privately in Inner London can be left with as little as £3 a week to live on after paying rent, down from £44 a week in 2023.[9] This analysis also shows that this family would be capped across 95 per cent of the country, up from 60 per cent in 2023.

Most capped households sit far below the poverty line. This means removing the cap will not significantly reduce child poverty levels but it will substantially reduce the depth of poverty for the 300,000 children estimated to be living in families affected by the cap, and cost £300 million.[10] Living in deep poverty is particularly damaging for children and families, as these case studies highlight.

> *'Just over two years ago, following the death of my partner, me and my two children were impacted by the benefit cap. As our rent was high, the amount received from benefits was only just enough to cover our rent plus one utility bill and because of this, we really struggled. I had to stop paying all of our rent because of this. There was nothing left over for food or any other bills.'*
> (Aurora, Changing Realities participant)[11]
>
> *One couple family with two very young children living in London have been benefit capped since the husband had to stop work because he has a short-term health problem. He was on a zero-hours contract and as well as working was studying two days a week to be a mechanic. He is waiting for an operation which has been cancelled once and can't work until the operation has been done. After rent is paid to their housing association, the family has only £573 to live on per month. They are having to use a food bank and have accrued council tax arrears.*
> (Case study shared with CPAG, October 2025)

It is important that the benefit cap is removed in conjunction with any removal of the two-child limit. Scrapping the two-child limit, while keeping the benefit cap in place, will mean that some of the families living in the deepest poverty will not see the full impact of the two-child limit being removed. This is because they will become newly capped, limiting how much they benefit from the two-child limit being removed. Removing both policies today will reduce child poverty by 400,000 and reduce the depth of poverty for nearly a million more, at a cost of £2.5 billion. This is the most cost-effective way to reduce both the number of children in poverty and the depth of poverty that families are living in.[11] More children are living in deep poverty than ever before: the latest poverty statistics show that 3.1 million children are living in deep poverty, up from 2.2 million in 2012/13.

Increase the wider adequacy of the social security system

The two-child limit and the benefit cap were introduced as part of a tranche of cuts to the social security system that hit families with children particularly hard. These cuts to social security over the last 15 years have been a key driver of rising child poverty in the UK.

For a government that is serious about tackling child poverty, abolishing the two-child limit and the benefit cap are the first critical steps on a longer journey. The adequacy of the social security system more widely must then be looked at, to ensure that families with children are protected from poverty.

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[8] DWP, *Evaluation of the lower benefit cap*, 2023
[9] CPAG, *Raising three kids on £3 a week: The reality of the benefit cap*, 2025
[10] See note 1
[11] Changing Realities is a participatory online project working with 200 parents and carers living on a low income across the UK. See changingrealities.org for more details.

CPAG would prioritise investing in children's benefits first and foremost, by increasing the value of child benefit and/or the child element of UC.

However, it is not just child-related benefits that are inadequate. The adequacy of social security needs to increase across the board. Particularly inadequate areas are local housing allowance, the standard allowance of UC, disability benefits and statutory sick pay. Although fiscal constraints mean this may not happen overnight, one option is to uprate benefit levels by more than CPI year-on-year to reach a longer-term goal of increased benefit adequacy.

Conclusion

This Budget represents an important opportunity to invest in children, via the child poverty strategy. A failure to do so will likely mean that child poverty rises to even higher levels than the current record of 4.5 million, across this parliament. If the government chooses to take decisive action now, this will have a dual effect of increasing living standards for millions of households overnight, while also boosting wider economic, health and educational outcomes. The larger and sooner the investment in social security the better. Every extra day that children and their families spend in poverty is detrimental for life chances, increasing the barriers to opportunity and constraining the long-term prosperity of the country.

About CPAG

Child Poverty Action Group works on behalf of the more than one in four children in the UK growing up in poverty. It doesn't have to be like this. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and solve poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need. We also carry out high profile legal work to establish and protect families' rights. Child Poverty Action Group is a registered charity in England and Wales (294841) and Scotland (SC039339).