

# CPAG in Scotland's 2026 pre-Budget briefing

January 2026

## Summary

- In recent years devolved Scottish policy and spending choices have led to child poverty falling in Scotland, despite rising across the UK as a whole.
- The Scottish child payment is particularly effective. It is making a positive difference to the lives of children - as seen in the latest research and lived experience of families themselves.
- However, more is needed to put Scotland on track to meet its statutory 2030 child poverty targets, as required by the Child Poverty (Scotland) Act passed with all-party support in 2017.
- The UK abolition of the two-child limit means £155 million previously earmarked for Scottish mitigation payments is no longer needed for this purpose. This money must remain within social security support for families, adding to and not replacing the investment also needed in housing, childcare and employment support.
- An above-inflation increase to the Scottish child payment is the best evidenced, most impactful and cost-effective way to further reduce child poverty and immediately improve living standards.

## The 2026-27 Scottish budget must:

1. Further boost social security support for families:
  - **Deliver an above inflation increase to the Scottish child payment** towards the £40 per week campaigners say is needed within this parliament.
  - **Address gaps that lead to some low-income families missing out** – e.g. extending eligibility to 16–19-year-olds in full-time, non-advanced education or approved training.
2. Invest in supporting parents to increase income through work:
  - **Provide additional tailored employment support** for parents and carers.
  - **Fund delivery of commitments made on early learning and childcare** for children under three and a system of school aged childcare.
  - **Drive improvements in the quality of work, building on Fair Work First** to strengthen pay, security and flexibility of work for parents and carers.
3. Reduce costs for low-income families:
  - **Fund more affordable housing** for families to ensure all children live in safe, secure and permanent homes.
  - **Extend free school meals** to all Primary 6 and Primary 7 pupils and secondary school pupils in receipt of Scottish child payment as a stepping stone to universal provision.
  - **Ensure sufficient and consistent funding for schools to remove cost barriers to learning** including for devices, resources and trips and the **extension of the school clothing grant to include all families in receipt of the Scottish child payment**.

## Introduction

The 2026/27 Scottish Budget is a vital opportunity to support low-income families. Children only have one chance at growing up, yet over one in five children in Scotland are still living in poverty, missing out on the opportunities every child deserves. 75% of these children live in working families.<sup>1</sup>

We know that policy choices make a real difference. In 2017, the Scottish Parliament unanimously passed the Child Poverty (Scotland) Act, setting legally binding targets to reduce child poverty to below ten per cent by 2030. Since then, policies like the Scottish child payment have made a real difference in children's lives by putting money directly in the pockets of low-income families and supporting more parents in work. Official data now show child poverty is falling, even as it rises for the UK as a whole.<sup>2</sup>

However, current progress is not enough. Despite welcome progress, unless we see significant further investment to tackle child poverty, all the available modelling shows that the 2030 targets will be missed.<sup>3</sup>

**The abolition of the two-child limit at UK level presents a critical opportunity.** The UK government's decision to abolish the punitive two-child limit, which restricted means-tested support in UK social security to just two children in a family, is hugely welcome, as was the Scottish government's existing commitment to mitigate the limit in Scotland. The First Minister has committed to using the money previously earmarked for mitigation (the delivery of mitigation payments was estimated by the Scottish Fiscal Commission to cost £155 million in 2026/27)<sup>4</sup> on other measures to tackle child poverty.<sup>5</sup>

It is clear from what families tell us, as well as from the wider evidence base<sup>6</sup>, that **the most cost-effective and impactful use of this money is for it to remain within the social security budget for families.** That is why, along with other members of the End Child Poverty coalition, we have collectively written to the Finance Secretary to urge her to specifically use the resources freed up to further boost Scottish social security for families.<sup>7</sup>

## Priorities for the 2026/27 Scottish Budget

### Keep the money freed up by the UK abolition of the two-child limit within social security

Child poverty arises when the increased costs that come with having children combine with a lack of income to meet those costs. Salaries don't increase to reflect family size, and the caring responsibilities of parents often mean that they can't increase their hours or progress as much in their careers.

<sup>1</sup> Scottish Government, [Poverty and Income Inequality in Scotland 2021-24](#), 2025.

<sup>2</sup> The three-year average poverty rate has fallen in Scotland from 24% to 23% and has risen in England from 30% to 31%, in Northern Ireland from 23% to 24%, and in Wales from 29% to 31%. The one-year child poverty statistics for Scotland show a four percentage point fall, from 26% to 22%. Department for Work and Pensions, [Households below average income: for financial years ending 1995 to 2024](#), 2025 and Scottish Government, [Poverty and Income Inequality in Scotland 2021-24](#), 2025.

<sup>3</sup> In June 2025, the Scottish Government's cumulative impact assessment estimated relative child poverty to be 22% in 2029-30 with a possible additional 2-percentage point reduction from the mitigation of the two-child limit (Scottish Government, [Child poverty modelling: update](#), 2025.) Modelling from the Fraser of Allander institute suggests that, with the current set of tax and benefit policies in Scotland (including mitigation of the two-child limit), the 2030/31 relative child poverty rate be around 20%. (Fraser of Allander, [Meeting Scotland's child poverty targets](#), 2025.) IPPR's estimate of the child poverty rate in 2030 under 'business as usual', including the mitigation of the two child limit, would be 22% (IPPR, [Achieving the 2030 child poverty target](#), 2025).

<sup>4</sup> Scottish Fiscal Commission, [Scotland's Economic and Fiscal Forecasts](#), 2025.

<sup>5</sup> Scottish Government, [Removing the two child limit will help thousands](#), 2025.

<sup>6</sup> For example, see modelling from Fraser of Allander, which explored different options, concluding that 'increases to SCP are the most effective tool available to the Scottish Government' and that compared to other investment 'increasing spending on the Scottish Child Payment is more cost-effective, achieving a greater impact on child poverty at a lower cost.' (Fraser of Allander, [Meeting Scotland's child poverty targets: Modelling and policy package](#), 2025).

<sup>7</sup> End Child Poverty, [Open letter to the Shona Robison](#), 2025.

Cuts to social security over the last 15 years have been a key driver of rising child poverty in the UK. Investment in social security for families in Scotland, especially through the Scottish child payment, has helped to reduce that poverty. But more needs to be done to reinvest in social security for families, both in and out of work, to provide the foundations needed for all children to have the best start in life.

**"As a single mother... I am always feeling anxious... I work part time and I struggle with budgeting for the family. I am on benefit[s] and inflation is on the rise. I have to pay bills. I resulted in collecting vouchers and using food banks to make ends meet...My preferences were always on survival over anything else."**  
(Ivy-Rose L, *Changing Realities*, April 2025)

There are three key drivers of child poverty; **inadequate income from social security**, **inadequate income from work** and the **costs that families face**. Action is needed across all three drivers to put Scotland on track to meeting the 2030 targets. But without further investment in social security, we will not make the progress that is needed.

### **Increase the value of the Scottish child payment**

Social security investment is helping close the gap between family incomes and the real cost of raising a child in Scotland. CPAG's new Cost of a Child in Scotland report (December 2025) looks at the gap between family incomes and the cost to raise a child to what the general public believes is needed for a minimum socially acceptable standard of living.<sup>8</sup> This gap is substantially narrower in Scotland than the rest of the UK, thanks to policies like the Scottish child payment, free bus travel, free school meals and school clothing grants, with Scottish child payment being the most significant factor.

Economists and social policy academics from the London School of Economics (LSE) and the universities of York and Glasgow, have recently found that both material deprivation and food insecurity would have been between 8 and 9 percentage points higher in Scotland without the Scottish child payment – an equivalent of over 70,000 fewer children in either material deprivation or food insecurity than would have been the case without the payments.<sup>9</sup>

The latest single-year statistics (as used to measure progress against the statutory targets) show a four-percentage point fall in child poverty in Scotland while rising across the UK as a whole.<sup>10</sup> Child poverty levels in Scotland are now nine percentage points lower than the UK rate.

Research published by The Institute for Fiscal Studies (IFS) also shows that concerns about Scottish child payment creating work disincentives are 'overplayed'.<sup>11</sup> A comparison of labour market participation and hours worked among families on both sides of the border finds no labour supply impact in practice, including among second earners.

Although welcome progress has been made, investment in social security must go further. CPAG's Cost of a Child in Scotland report shows that the gaps between income and costs for families are still huge. An out-of-work couple with two children has less than half the income the general public believes is needed for a minimum socially acceptable standard of living, and a lone parent working full time on the national minimum wage has less than 80 per cent of what they need.

Whether parents are in or out of work, lack of income from social security means families are going without. Earnings can only go so far for households with children, as pay cheques are the same as for

<sup>8</sup> CPAG's Cost of a Child in Scotland in 2025 report is the latest in a series commissioned from the Centre for Research in Social Policy at Loughborough University which calculates how much it costs families to provide what the general public would consider a minimum socially acceptable standard of living for their children.

<sup>9</sup> Centre for Analysis of Social Exclusion (CASE), London School of Economics and Political Science, [Investing in Children: Early findings on the difference the Scottish Child Payment makes to child well-being](#), 2025.

<sup>10</sup> Scottish Government, [Poverty and Income Inequality in Scotland 2021-24](#), 2025.

<sup>11</sup> IFS, [Does the Scottish Child Payment weaken work incentives?](#), 2025.

those without children, but the costs their households face are much higher. Social security is therefore essential to tackling child poverty. There is no credible route to meeting the targets without further investment in social security. Increasing the Scottish child payment is the most direct and cost-effective lever available to government and is an investment both in children and Scotland's future.<sup>12</sup>

CPAG modelling suggests a £40 per week per child Scottish child payment would reduce the number of children in poverty by 15,000 (one to two percentage points) at a cost of £190m. £155m, as was earmarked for two child mitigation, would enable the payment to be increased to £37.50, in itself lifting 10,000 children out of poverty.<sup>13</sup> Fraser of Allander modelling suggests a £35 Scottish child payment would cost around £121 million and reduce child poverty by one percentage point.<sup>14</sup>

### **Address gaps that lead to some low-income families missing out on the payment**

Some low-income families are excluded from, or do not fully benefit from, the Scottish child payment. CPAG's Strengthening Social Security project looked at why some miss out, including the impact on families when payments stop at age 16.<sup>15</sup> Resources should be allocated to plug these gaps, including to extend eligibility to 16–19-year-olds in full-time, non-advanced education or approved training.

### **Provide additional tailored employment support for parents and carers**

The budget must resource additional tailored support for parents looking to get into work, and for parents in low-paid and insecure work, especially mothers. There should be a particular focus on the priority groups, supporting lone parents, black and minority ethnic parents and carers, families with a disabled adult or child, and young parents. CPAG's Your Work, Your Way (YWYW) project highlighted that the provision of holistic, financial and practical support is critical to help parents take up quality work, improve skills and manage the challenges of balancing work and family life.<sup>16</sup>

### **Drive improvements in the pay, security and flexibility of work for parents and carers**

Supporting parents to enter, sustain and progress in work is vital to tackling child poverty, but so it ensuring that work is decently paid and flexible around caring responsibilities. Currently, 75% of children in poverty live in working families.<sup>17</sup> It is clear that the labour market is not working for many parents and carers. More must be done to drive improvements in work, building on Fair Work First to strengthen pay, security and flexibility for parents and carers.

### **Fund delivery of childcare commitments and ensure childcare is flexible and accessible**

Access to, and ability to sustain, well-paid, decent employment goes hand-in-hand with parents being able to source accessible, flexible and affordable childcare. The commitments in the Best Start, Bright Futures Tackling Child Poverty Delivery Plan on early learning and childcare for children under three and a system

<sup>12</sup> See: CPAG's response to Social Justice and Social Security committee '[Pre-Budget Scrutiny 2026-27: future social security spending in Scotland](#)' (August 2025) and CPAG's written submission to the Finance and Public Administration committee '[Pre-Budget Scrutiny 2026-27: Responding to Long-Term Fiscal Pressures](#)' (August 2025).

<sup>13</sup> These calculations come from UKMOD version B1.11. 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. The cost has been given in 2025/26 prices. <https://fraserofallander.org/budget-preview-2-implications-for-scotland-of-abolishing-the-two-child-limit/>

<sup>14</sup> Fraser of Allander, [Implications for Scotland of abolishing the two-child limit](#), 2025.

<sup>15</sup> See: CPAG, [Strengthening Scottish Social Security](#).

<sup>16</sup> our Work Your Way (YWYW) was an innovative employment support project designed and delivered by Child Poverty Action Group from 2021 to 2023. The scheme supported 70 second earners from low-income households in receipt of universal credit or tax credits, and operated in the four pilot areas of Bury, Coventry, Luton and Taunton Deane. (See: Child Poverty Action Group, [Your Work Your Way](#).)

<sup>17</sup> Scottish Government, [Poverty and Income Inequality in Scotland 2021-24](#), 2025.

of school age childcare have not been fully funded or delivered.<sup>18</sup> This budget must provide funding to deliver on these commitments to remove barriers to work for parents.<sup>19</sup>

Action is also needed to ensure the existing offer is as accessible and flexible as possible - for example for parents working irregular schedules or shift work. Evidence from CPAG's Early Warning system has also highlighted instances where parents face barriers to accessing childcare support through universal credit, such as meeting the initial cost or during periods where families do not meet eligibility. There is more that could be done to support parents in these situations, such as subsidising childcare providers in certain circumstances.

*"Even if I could find more work, I'd struggle to afford childcare or to find childcare that fits with the kind of jobs available. And because I don't have a car, travelling for work or accessing services outside the city centre can be really difficult." (Rudy T, Changing Realities, May 2025)*

### **More funding for affordable housing for families to ensure all children**

The high costs of housing too often push families into poverty – and there are over 10,000 children in temporary accommodation.<sup>20</sup> 240,000 children were living in relative poverty after housing costs in 2021-24, 20,000 more than before housing costs.<sup>21</sup> More funding for affordable housing with a focus on the supply of larger family properties is needed to ensure all children live in safe, secure and affordable homes.

*"We have been trapped in temporary flats...I live in a 3 bedroom flat, where the accommodation is dilapidated, and there is constant mould and the kitchen cabinets are broken. This has deeply impact my family's wellbeing... [Permanent housing would] support us in rebuilding our lives with respect and dignity, without constant fear of being moved at anytime." (Bernie O, Changing Realities, November 2025)*

### **Extend universal free school meals**

The cost of a meal at school continues to put pressure on household budgets for families – particularly those who are just about the means-tested threshold. Modelling from 2024 showed 1 in 5 children in poverty in Scotland to be missing out on a free school meal.<sup>22</sup>

Children and young people consistently tell us about the importance of food to learning at school and the impact that hunger has on learning and concentration.<sup>23</sup> The recent extension of free school meal entitlement to children in Primary 6 and Primary 7 who are in families in receipt of Scottish child payment is welcome, as is the piloting of extended eligibility criteria for secondary pupils. However, it is disappointing that the commitment that all Scottish primary school pupils would be entitled to a free school lunch by August 2022 has still not been delivered and most secondary school children are still missing out. Universal free school meals should be extended to Primary 6 and 7, and means tested free school meals expanded to all secondary school pupils receiving the Scottish child payment as a stepping stone to universal provision - which research shows both tackles inequality and has a positive impact on mental and physical health and wellbeing.<sup>24</sup>

<sup>18</sup> Scottish Government, [Tackling Child Poverty Delivery Plan: progress report 2024-25](#), 2025.

<sup>19</sup> CPAG, alongside other organisations, have developed a vision for childcare in Scotland that provides all parents with the choice of up to 50 hours of accessible and flexible childcare per week, free at the point of use. See: CPAG, [A vision for childcare that helps end poverty in Scotland](#), 2022.

<sup>20</sup> Scottish Government, [Homelessness in Scotland: 2024-25](#), 2025.

<sup>21</sup> Scottish Government, [Poverty and Income Inequality in Scotland 2021-24](#), 2025.

<sup>22</sup> CPAG, [UK children in postcode lottery for free school meals](#), 2024.

<sup>23</sup> See: [School Shouldn't Cost: The Young People's Poverty and Education Manifesto 2026-31](#) which brings together views from thousands of young people in Scotland about what should happen to remove barriers and make school better for children and young people on low incomes. Also see: CPAG's [Cost of the School Day Big Question Report](#), drawing on the views from 5,394 children and young people around Scotland.

<sup>24</sup> See: University of Essex, [The impacts of Universal Free School Meals in England](#), 2024 and [Impact on Urban Health](#), More than a meal, 2025.

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"Young people in our school are saying lunch prices are difficult to afford. We are taking part in a pilot where more secondary pupils access free school meals - can this be rolled out to all schools please?"  
(Young person, Trinity High School Cost of the School Day Pupil Group, September 2025)

### **Provide sufficient funding to reduce the cost of the school day**

CPAG hears from children and young people through of Cost of the School Day project about the cost barriers at school which create barriers to attendance, learning, participation and wellbeing.

"If you miss out because you can't afford it, you could miss out on something you're really passionate about, something that you want to do later on in life."  
(Auchenharvie Academy Cost of the School Day Ambassador)

To reduce these barriers there must be sufficient and consistent funding for schools including for devices, resources and trips as well as extending the school clothing grant to all families in receipt of the Scottish child payment as currently eligibility criteria varies across the country.

For more information or to discuss the contents of this briefing in more detail contact Maria Marshall, Policy Officer: [mmarshall@cpagscotland.org.uk](mailto:mmarshall@cpagscotland.org.uk).

### **About CPAG**

Child Poverty Action Group (CPAG) in Scotland work on behalf of the over one in five children in Scotland growing up in poverty. We collect evidence from families living in poverty and campaign for solutions to bring about a society where children have a fair chance in life free from hardship. We provide training, advice and information on social security to frontline workers to make sure families get the financial support they need. <https://cpag.org.uk/>.