

Briefing for MSPs

Finance and Public Administration

Committee debate: Scottish Budget 2026-27

21st January 2026

Summary

- Despite some welcome investments, the 2026-27 Budget in its current form wastes important opportunities to build on recent progress to reduce child poverty in Scotland.
- It is particularly disappointing that the £126 million freed up by the abolition of the two-child limit has been taken out of social security budget lines that had been earmarked to increase Scottish social security support for families. This is despite all the evidence that:
 - increasing the value of social security support for families is the single most cost-effective and impactful way to make further progress toward achieving the First Minister's commitment to eradicating child poverty;
 - there is no credible route to meeting the 2030 child poverty targets that does not involve further substantive increases to the value of the Scottish child payment.
- The commitment to increase the Scottish child payment to £40 for children under one from 2027-28 is welcome. Support for families with babies is important as they are a group at particularly high risk of poverty. However, this support will only benefit four per cent of all children in receipt of Scottish child payment.¹ The uplift should be expanded to all children in receipt of the payment.
- The £126 million freed up as result of two child limit abolition could pay for an uplift in the Scottish child payment to £35 per week for *all* eligible children from *this* April.²
- As is stands there is no real terms increase in social security support for families in the 2026-27 Budget, and only £3m, for the Scottish child payment increase for under 1's, in 2027-28.³
- Investment in breakfast clubs, after school and holiday activities, the Tackling Child Poverty Fund, and whole family support is very welcome, but further detail is needed as to the extent to which these are additional resources, and on how they will be deployed.
- Whilst real progress has been made, this Budget does not put Scotland on track to meet its statutory 2030 child poverty targets set out in the Child Poverty (Scotland) Act passed with all-party support in 2017. Looking forward, it is vital that all Scotland's political parties set out how they will ensure families have access to the social security, housing, childcare and employment support they need so that no child grows up in poverty.

¹ See: Table 11, [Scottish Child Payment statistics to 31 December 2024](#), 2025.

² Fraser of Allander, [Implications for Scotland of abolishing the two-child limit](#), 2025.

³ Scottish Fiscal Commission, [Scotland's Economic and Fiscal Forecasts](#), 2026.

Implications of the abolition of the two-child limit

The abolition of the two-child limit at UK level presented an important 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 previous commitment to mitigate the limit in Scotland. The First Minister has committed to using the money previously earmarked for mitigation⁴ on other measures to tackle child poverty.⁵

The Scottish Fiscal Commission estimates that £141m will no longer be needed for the mitigation of the two-child limit. The Scottish Budget refers to £126 million, accounting for the increased caseload of some devolved benefits following the abolition of the two-child limit.⁴

Clarity is needed on progress towards the 2030 targets

In 2017, the Scottish Parliament unanimously passed the Child Poverty (Scotland) Act, setting legally-binding targets, including 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 official data now showing child poverty is falling, even as it rises for the UK as a whole.⁵

However, this 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.⁶ While there has been some welcome investment in the budget for children and families, as we understand it there is no cumulative assessment on how budget decisions will impact on the number of children in poverty.

What is in the budget?

Commitment to increase Scottish child payment for under 1's from 2027-28

This commitment to increase the Scottish child payment to £40 for children aged under one from 2027-28 is welcome. The poverty rate for children in a household where the youngest child is under one is significantly higher than for all children, 35% compared to 23%.⁷ This increase will be introduced from 2027-28 so does not constitute spending on tackling child poverty in the coming financial year.

However, children under one make up only four per cent of children currently benefitting from the Scottish child payment.⁸ The money freed up by the abolition of the two-child limit would have gone a long way in increasing the payment for all children to £40 per week which CPAG, alongside members of the End Child Poverty Coalition, have been calling for by the end of this parliament.⁹ A general above-

⁴ See: Fraser of Allander, [Are the Scottish Government spending all the two-child limit savings on reducing child poverty?](#), 2026.

⁵ 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.

⁶ 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 would 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).

⁷ Scottish Government, [Poverty and Income Inequality in Scotland 2021-24](#), 2025.

⁸ See: Table 11, [Scottish Child Payment statistics to 31 December 2024](#), 2025.

⁹ End Child Poverty Coalition, [Our Priorities for the Next Scottish Parliament](#), 2025.

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.

Tackling child poverty is the number one priority of the Scottish Government. This budget was a key opportunity to make further progress, especially with £126 million freed up by the abolition of the two-child limit. It is clear from what families tell us, as well as from the wider evidence base¹⁰ that the most cost-effective and impactful use of this money would have been for it to remain within the social security budget for families.

CPAG, alongside other members of the End Child Poverty coalition, collectively wrote to the Finance Secretary ahead of the budget to urge her to specifically use the resources freed up to further boost Scottish social security for families.¹¹ It is disappointing that there is not further investment in the value of the Scottish child payment in 2026-27.

Additional £49m invested in the Tackling Child Poverty Delivery Fund

An additional £49m invested in the Tackling Child Poverty Delivery Fund is in itself welcome. The details of how the Fund is to be used will be laid out in the next Tackling Child Poverty Delivery Plan. It is vital that this funding is allocated strategically in ways that demonstrably impact on the drivers of child poverty – i.e. in interventions that increase family incomes through social security, increase incomes through employment and/or reduce the costs families face (in particular housing and childcare costs). Given the limited funding, it is vital the resource is not spread too thinly, and that it is focussed very clearly on interventions that will help reduce the overall number of children in poverty across Scotland.

£15m for breakfast clubs to be rolled out in every school in Scotland

CPAG welcomes funding of £15m breakfast club provision, and the promise of roll out of a national offer by August 2027. This is a positive step which, if delivered effectively, will provide an additional hour of pre-school childcare located where children need to be, giving parents more flexibility and reducing barriers to work.

Funding must ensure that, at minimum, breakfast club provision is free at the point of access for children and young people from low income families. However strong consideration should be given to universal free breakfast provision wherever possible given the evidence that this reduces stigma and increases uptake.¹²

£3m to extend free school meals to children missing out

Funding to extend free school meal provision including to families in receipt of pension credit is welcome, this gap in provision has previously been raised by CPAG but up until now has been left to the discretion of local authorities.

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

¹⁰ 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).

¹¹ End Child Poverty, [Open letter to the Shona Robison](#), 2025.

¹² See: IFS, [Breakfast clubs work their magic in disadvantaged English schools](#), 2016 and TES, [How to build an effective breakfast club](#), 2024.

a stepping stone to universal provision - which research shows both tackles inequality and has a positive impact on mental and physical health and wellbeing.¹³

After school and holiday activities for children and young people

Additional funding to provide out of school wraparound activities and holiday activities is welcome. Children and young people working with CPAG in Scotland's Cost of the School Day project have developed their own manifesto for the next Scottish parliament.¹⁴ In it they call on decision makers to provide opportunities for *all* children to benefit from activities in their communities. When young people were asked what these opportunities should include they suggested things like cheaper sports activities, places to play, safe spaces to hang out and access to clubs.

The Best Start, Bright Futures tackling child poverty delivery plan committed to build a system of school age childcare within this parliament, however the latest Scottish government progress report found this to still be in the 'early stages of development'.¹⁵ Further ambition and scale is needed in out of school childcare to have the impact required for parents to increase their income through work.

£50m invested in whole family support

CPAG, alongside other members of the End Child Poverty Coalition have spoken about the importance of whole family support including support to help families maximise their incomes. Income maximisation, including welfare rights advice, must be at the heart of whole family support spending decisions as the detail is developed.

For more information or to discuss the contents of this briefing in more detail contact Maria Marshall, Policy Officer: 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/>.

¹³ See: University of Essex, [The impacts of Universal Free School Meals in England](#), 2024 and [Impact on Urban Health](#), More than a meal, 2025.

¹⁴ CPAG, [School Shouldn't Cost: The Young People's Poverty and Education Manifesto 2026-31](#), 2025.

¹⁵ Table 1, Scottish Government, [Best Start, Bright Futures Tackling Child Poverty Progress Report 2023-2024](#).