7 January 2025

MITIGATING THE TWO-CHILD LIMIT AND THE SCOTTISH BUDGET

The Scottish Fiscal Commission has today published a costing for mitigating the two-child limit in Universal Credit in Scotland. This policy was announced by the Scottish Government in its Budget in December, but was not included in the Commission's forecasts published at the time. The Scottish Government plans to implement the policy in 2026. The Commission has assumed mitigation will be paid from April 2026.

The Commission estimates that mitigating the two-child limit will lead to payments being made for around 43,000 children in 2026-27, with an increase to around 50,000 children in 2029-30. Spending on the policy is forecast to be £155 million in 2026-27 rising to £198 million in 2029-30. This rise reflects the payment amounts being increased each year with inflation and more children falling under the scope of the two-child limit.

The additional spending on the proposed mitigation payments in 2026-27 leads to overall social security spending being £1,608 million higher than the Block Grant Adjustment funding provided by the UK Government.

In 2029-30 social security spending will account for 14.9 per cent of the Scottish Government's total resource funding. This reflects the Scottish Government's approach to disability payments and its priorities to use the devolved social security system to tackle child poverty and support both those on low incomes and pensioners, but it does put pressure on spending in other areas.

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Notes for Editors

1. The Commission's Report, Mitigating the two-child limit and the Scottish Budget – January 2025, is available now.
2. The Commission's main forecast report, Scotland's Economic and Fiscal Forecasts – December 2024 was published on 4 December 2024.
3. The additional costs of mitigating the Universal Credit two-child limit from 2026-27 were not included in the Fiscal Commission's main forecasts, published on 4 December 2024, as the Scottish Government made the Commission aware of the policy on 28 November. This was late in the Budget process and came a week and a day after the agreed deadline for policy

measures. At this point it was too late for the Commission to produce a full costing that took account of behavioural responses and other factors. The December report did provide illustrative estimates of the potential costs.

4. The Scottish Fiscal Commission is the independent fiscal institution for Scotland, established by the Scottish Fiscal Commission Act 2016. Our reports represent the collective view of the Scottish Fiscal Commission, comprising the Commissioners: Professor Francis Breedon, Professor Domenico Lombardi, Professor David Ulph, and the Chair, Professor Graeme Roy.

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