

Introduction

Budgets reflect the choices and priorities of our Governments. Our political leaders have a responsibility to use them to build an economy and society in which all people the income necessary to live in decency and dignity.

In October 2025, thousands of people from across Scotland took to the streets of Edinburgh in the Scotland Demands Better campaign march and rally, the largest anti-poverty demonstration our country has seen in decades.¹ They stood together to demand that politicians build a Scotland free from poverty, creating the conditions for better jobs, better investment in life's essentials and vitally, better social security.

A stronger social security system, rooted in adequacy and compassion, is fundamental to a fairer and more prosperous Scotland. The upcoming Budget is the opportunity to deliver exactly that.

Whilst we recognise that the 2026/27 Scottish Budget is being set in a challenging fiscal environment, it is also being delivered in the reality that one in four children live in poverty. Their life chances are being held back and their potential wasted, with opportunities to learn, grow and develop fully through happy and thriving childhoods stripped away.

If the Scottish Government is to remain credible in its commitment to eradicate child poverty, it must choose to meet these challenging fiscal and social contexts with decisive action. That requires a clear choice to prioritise investment in families. This is not just essential for wellbeing, but is also critical for building a strong economy.

In its Budget, the UK Government took the welcome decision to scrap the cruel two-child limit. We have been clear that this must be the starting point for wider reform at UK level to ensure a social security system that truly provides security. Crucially, the funding previously earmarked in the Scottish Budget to mitigate this policy through the Two-Child Limit Payment - now freed up by the UK Government's decision – offers an opportunity to further strengthen Scottish social security and move us closer to our national poverty targets.

Scottish Ministers have already committed to using this significant net saving to take additional measures to tackle child poverty. We urge them to use this freed-up resource to invest in the Scottish Child Payment. This would go some distance in achieving the £40 a week payment that we know is needed by the end of this Parliament.

¹ Find out more about the Scotland Demands Better campaign here: <https://www.scotland-demands-better.com/demands>

The impact of the Scottish Child Payment

The Scottish Child Payment stands out as one of the most effective tools available to the Scottish Government to reduce child poverty.

Since the introduction of the Child Poverty (Scotland) Act 2017, actions taken by the Scottish Government to reduce child poverty are having a tangible impact. The most recent statistics show a four percentage point reduction in poverty levels; 22% of children were living in relative poverty in 2023/24, down from 26% in the previous year.² This is significantly lower than child poverty rates in England (30%) and Wales (29%).³ Research from the Joseph Rowntree Foundation shows that this disparity is due, at least in part, to the impact of the Scottish Child Payment in reducing poverty.⁴

The Act sets ambitious, legally binding targets for the Government to have less than 10% of children in relative poverty by 2030/31. Evidence consistently shows that the principal driver of progress towards these targets is the Scottish Child Payment, a targeted intervention that puts money directly into the pockets of low-income families.⁵ Government modelling estimates that the Payment will keep 40,000 children out of relative poverty in 2025/26. That means that the relative child poverty rate in Scotland will be around 4 percentage points lower than it would otherwise be.⁶

There is no doubt that the Scottish Child Payment is a bold policy. Not only can we see its impact at national data level, feedback from across the country highlight that the Payment is also having a real positive impact on household financial security. Its importance for families should therefore not be understated, representing a clear example of what can be achieved with commitment to, and funding for, significant support through our social security system.

However, despite this progress, child poverty rates remain unacceptably high. Poverty continues to undermine children's rights and limit opportunities to learn, develop and thrive, with long-term consequences for individuals, communities and the economy.

That is why it is so concerning that modelling from IPPR Scotland shows that, even with ambitious increase in parental earnings through work, the 2030 targets will not be met without further investment in the Payment.⁷ It is critical that ambitious commitments are matched with bold, immediate action to move the dial on child poverty. This must include a range of actions that work together and are transformative in scale, the foundation of which is a social security system that has adequacy at its core.

It is therefore clear that the Scottish Government should restore the real value of family social security entitlements through significant further investment in the Scottish Child Payment in this Budget. Modelling from the Fraser of Allander Institute highlights that

² Scottish Government (2025) *Poverty and Income Inequality in Scotland 2021-24*. Available at: <https://data.gov.scot/poverty/>

³ Joseph Rowntree Foundation (2025) *UK Poverty 2025*. Available at: <https://www.jrf.org.uk/uk-poverty-2025-the-essential-guide-to-understanding-poverty-in-the-uk>

⁴ Ibid.

⁵ Poverty and Inequality Commission (2025) *Child Poverty Delivery Plan progress 2024-2025*. Available at: https://povertyinequality.scot/wp-content/uploads/2025/06/Child_Poverty_Delivery_Plan_progress_2024-2025_Scrutiny_by_the_Poverty_and_Inequality_Commission.pdf

⁶ Minimum Income Guarantee Expert Group (2025) *A roadmap to dignity for all*. Available at: <https://www.gov.scot/publications/minimum-income-guarantee-roadmap-dignity/>

⁷ IPPR Scotland (2025) *Achieving the 2030 Child Poverty Targets*. Available at: [ippr-
org.files.svdcdn.com/production/Downloads/Achieving_2030_child_poverty_target_March25.pdf?dm=1742569422](https://www.ippr.org/files.svdcdn.com/production/Downloads/Achieving_2030_child_poverty_target_March25.pdf?dm=1742569422)

increasing the rate of the Payment is the single most effective policy intervention the Scottish Government can take to meet the 2030 targets. This increase would not only lift more children out of poverty but would also reduce the depth of poverty for many more and strengthen the protective buffer for families living just above the poverty line.

They have also modelled different policy options using the funding allocated for the Two-Child Limit Payment, assuming that spillover costs of the abolition of the two-child limit are funded from within this budget. With the remaining £121 million, they estimate that raising the Payment to £35 per week would keep an additional 10,000 children out of poverty.⁸

This would go some distance in achieving the £40 a week payment that we know is needed by the end of this Parliament, and that would make an immediate and meaningful difference to children and families. Beyond this, we need to see a clear commitment to increase the Payment to at least £55 by 2030.

““[The Scottish Child Payment] has enabled me and my son to participate in more social and educational activities which normally we would have struggled to afford. It alleviates some of the financial pressure and gives me and my son more breathing space to enjoy life.

The Scottish Child Payment has been a ‘game changer’ for me. It has enabled me to invest in a more nutritious diet that fuels my son adequately during his school day. We all know diet impacts both cognitive behaviour and performance, which is really important to me. We also all know there is a correlation between finances and mental health.

Receiving the Scottish child payment has definitely helped improve my mental health, which of course not only impacts me but my family too.

I have been pleased to see the Scottish Government investing in this benefit, and really pushing to eradicate child poverty. However, I still feel we have a long road ahead of us.

I firmly believe one way of pushing against the tidal wave of child poverty would be to increase the Scottish Child Payment. These payments are allowing me to live with more dignity and respect which we all deserve in order to thrive and feel less stigmatised. Increasing the payment would undoubtedly pull more families like mine further out of the waters.”

Lisa, Changing Realities project⁹

Whilst it is clear bold action across all policy areas will be required to fully meet Scotland’s child poverty targets, increasing family payments is a necessary, immediate and highly effective step that the Scottish Government can and should take.

We recognise that building a stronger social security will require sustained and increased public funding. The Scottish Government must therefore also take further decisive action to raise additional revenue, including through a renewed approach to devolved taxation, using Scotland’s existing tax levers - like Scottish Rate of Income Tax - more progressively, while

⁸ Fraser of Allander Institute (2025) *Budget Preview #2: Implications of Scotland of abolishing the two-child limit*. Available at: <https://fraserofallander.org/budget-preview-2-implications-for-scotland-of-abolishing-the-two-child-limit/>

⁹ Find more information about Lisa’s experience, and the Changing Realities project, here: <https://cpag.org.uk/news/more-breathing-space-enjoy-life-my-experience-scottish-child-payment>

also using devolved powers to implement new and improved forms of local taxation that target under-taxed wealth.

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