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Kenneth Gibson MSP  
Convener  
Finance and Public Administration Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP

7 January 2025

Dear Convener,

The Scottish Fiscal Commission has today published a report on [mitigating the two-child limit and the Scottish budget](#). This policy was announced by the Scottish Government in its Budget but was not included in our forecasts published in December. As discussed at our evidence session on 10<sup>th</sup> December, we would have preferred to include a formal costing in our publication, but this was not possible given the late notification of this policy. We have published this report today to assist the Committee with its scrutiny of the Scottish Budget.

The Scottish Government plans to implement the mitigation policy in 2026. In our report, we have assumed mitigation will be paid from April 2026, so these new forecasts do not affect the 2025-26 Budget.

We estimate 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. We forecast spending on the policy 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 leads to overall social security spending being £1,608 million higher than social security Block Grant Adjustment funding from the UK Government in 2026-27. This figure is up from £1,453 million in our December forecasts.

When considering the effect on the overall Scottish budget, we now expect that social security spending will account for 14.9 per cent of the Scottish Government's total resource funding in 2029-30. 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.

I hope the Committee finds our report useful and would be happy to provide any further information if needed.

Yours sincerely

**Professor Graeme Roy**