



Department
for Work &
Pensions

Research and analysis

Low income poverty projections for children, FYE 2025 to FYE 2030, November 2025

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Summary

In November 2025, the UK government announced that from April 2026 it will be removing the two-child limit so that families can receive the child element of Universal Credit for all children regardless of family size. This is a key measure in the government's agenda to tackle Child Poverty and ensure all children have the Best Start in Life. Full details of the former will be set out soon in our comprehensive Child Poverty Strategy targeted at tackling the structural and root causes of child poverty across the country.

This analysis provides an estimate of the future low income poverty trends for children after this policy was announced. The low income poverty projections are based on the policy position immediately before the Budget 2025 but account for the removal of the two-child limit. Any other measures announced at Budget 2025 are not included in these estimates.

It is estimated that there will be 4.3 million children in relative low income after housing costs in the final year of parliament (FYE 2030). This is projected to represent a reduction of 400,000 children in relative low income after housing costs across the Parliament (between FYE 2025 and FYE 2030).

Projections of low income poverty trends are not a forecast, they are a projection under a specific set of assumptions and are subject to a high degree of uncertainty. They should only be used to provide an indication of future trends.

Methodology

The Department for Work and Pensions' Policy Simulation Model (PSM) is used to estimate future trends in low income poverty. The PSM is a static microsimulation model^{[\[footnote 1\]](#)} based on a snapshot of the UK population from the Family Resources Survey (FRS), currently for the financial years ending 2022, 2023 and 2024. It uses caseload forecasts alongside benefit rules and economic assumptions to simulate results such as poverty levels for each year, currently up to and including FYE 2030, for the United Kingdom.

Calibration to benefit caseload data means the PSM better models benefit income compared to survey estimates, as published in Households Below Average Income (HBAI), because the FRS underreports benefit receipt. This means that the modelled estimates of poverty levels can systematically differ from survey data. We therefore apply the changes to poverty levels year on year produced by the PSM to the most recent HBAI data to estimate the poverty levels. This better reflects the estimated low income

poverty trends but means that any sampling and measurement error in the FYE 2024 HBAI data will affect the projected levels.

To project future low income poverty trends, the base PSM methodology has been modified to better model the impact of changing caseloads as a result of the Move to Universal Credit (UC). This involves changing the grossing regime so that working-age income-related benefit caseload forecasts are held at their base level (FYE 2024 outturn) and adjusting the caseloads at the sample level using standard Move to UC assumptions and take-up adjustments to match the overall UC forecast. This ensures alignment with the UC caseload forecast but prevents the grossing regime from artificially distorting the income distribution and ensures the projections are sensitive to economic and policy factors.

The methodology used to produce these projections has been developed in consultation with an external Expert Advisory Group.

This projections analysis uses a model consistent with the OBR's economic and caseload forecasts in March 2025. However, modifications have been made to model policies announced since Spring Statement 2025, specifically:

- Changes to the UC Bill including to Personal Independence Payment (PIP) policy and UC Standard Allowance rates for Under 25s.
- Change to the Winter Fuel Payment eligibility threshold.
- Removing the two-child limit so that families can receive the child element of Universal Credit for all children regardless of family size.
- Expanding Free School Meals eligibility to all pupils in England with a parent receiving Universal Credit.
- Providing funding to schools in England to deliver a free breakfast club for primary-aged children.
- Increasing the amount provided through the Healthy Start scheme to £9.30 per week for children under one, £4.65 per week for children aged 1-4, and £4.65 each week of pregnancy from 10 weeks.
- Increase the eligibility for the Warm Home Discount in England and Wales by removing the high cost to heat threshold.
- Reforming the Child Maintenance Service by removing Direct Pay.

The projections do not account for any other policies announced at Budget 2025 that may impact future poverty trends. Updated poverty projections will be published after Budget 2025.

Poverty projections are not a forecast, they are an estimate of future trends in low income poverty levels under a very specific set of assumptions. The model relies on multiple assumptions about the economy and benefit

caseloads which are subject to a high degree of uncertainty. Routine updates at each fiscal event, for example to the OBR economic assumptions, can materially change projected poverty rates, even without policy changes. **Projections should therefore be interpreted as the best currently available estimate rather than a precise forecast of future poverty rates.**

Poverty projections are presented for four measures of poverty: both relative and absolute low income and both before and after housing costs.

Further information on the methodology behind the low income measures can be found in [How low income is measured in households below average income statistics - GOV.UK \(https://www.gov.uk/government/publications/how-low-income-is-measured\)](https://www.gov.uk/government/publications/how-low-income-is-measured) and [Household below average income series: quality and methodology information report FYE 2024 - GOV.UK \(https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2024/households-below-average-income-series-quality-and-methodology-information-report-fye-2024\)](https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2024/households-below-average-income-series-quality-and-methodology-information-report-fye-2024).

Estimates are rounded to the nearest 100,000 children and the nearest whole percentage point for consistency with published HBAI low income poverty rates and due to uncertainties inherent in the modelling approach.

Figures for FYE 2025 are based on projections because the most recent available HBAI data is for FYE 2024.

Low income projections for children

It is estimated that there will be 4.3 million children in relative low income after housing costs in the final year of parliament (FYE 2030). This is projected to represent a reduction of 400,000 children in relative low income after housing costs between FYE 2025 and FYE 2030. This is expected to be the largest reduction in the number of children in relative low income After Housing Costs (AHC) over a Parliament since comparable records began in the 1990s. [\[footnote 2\]](#)

Table 1a: Relative low income AHC projections for children (UK)

	HBAI	Projection	Projection	Projection	Projection
	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028
Number	4.5 million	4.6 million	4.7 million	4.3 million	4.3 million
Proportion	31%	32%	33%	30%	30%

Table 1b: Projected change in relative low income AHC levels for children over the Parliament (FYE 2025 to FYE 2030, UK)

Difference between FYE 2025 and FYE 2030 (relative AHC, children)

Number -400,000

Percentage point -2ppt

Table 2a: Relative low income Before Housing Costs (BHC) projections for children (UK)

	HBAI	Projection	Projection	Projection	Projection
	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028
Number	3.4 million	3.6 million	3.6 million	3.3 million	3.2 million
Proportion	23%	25%	25%	22%	22%

Table 2b: Projected change in relative low income BHC levels for children over the Parliament (FYE 2025 to FYE 2030, UK)

Difference between FYE 2025 and FYE 2030 (relative BHC, children)

Number -400,000

Percentage point -2ppt

Table 3a: Absolute low income AHC projections for children (UK)

	HBAI	Projection	Projection	Projection	Projection
	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028
Number	3.9 million	3.8 million	3.9 million	3.5 million	3.5 million
Proportion	26%	26%	27%	24%	24%

Table 3b: Projected change in absolute low income AHC levels for children over the Parliament (FYE 2025 to FYE 2030, UK)

Difference between FYE 2025 and FYE 2030 (absolute AHC, children)

Number -300,000

Percentage point -1ppt

Table 4a: Absolute low income BHC projections for children (UK)

	HBAI	Projection	Projection	Projection	Projection
	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028
Number	2.9 million	2.9 million	3.0 million	2.6 million	2.7 million
Proportion	20%	20%	20%	18%	18%

Table 4b: Projected change in absolute low income BHC levels for children over the Parliament (FYE 2025 to FYE 2030, UK)

Difference between FYE 2025 and FYE 2030 (absolute BHC, children)

Number -300,000

Percentage point -1ppt

Statement of compliance with the Code of Practice for Statistics

The [Code of Practice for Statistics \(the Code\)](https://code.statisticsauthority.gov.uk/) (<https://code.statisticsauthority.gov.uk/>) is built around 3 main concepts, or pillars:

- trustworthiness – is about having confidence in the people and organisations that publish statistics
- quality – is about using data and methods that produce statistics
- value – is about publishing statistics that support society’s needs

The following explains how we have applied the pillars of the Code in a proportionate way.

Trustworthiness

The figures were created to support government decision making and understand how low income poverty levels are estimated to change over time. They are being published to give equal access to all those with an interest in them.

Quality

The data that underpins this information is taken from DWP's Policy Simulation Model which includes caseload forecasts taken from DWP and HMRC data.

This projections analysis uses a model consistent with the Office for Budget Responsibility's economic and caseload forecasts in March 2025. Modifications have been made to model policies announced since Spring Statement 2025, as noted above. Modifications have also been made to better model the impact of changing caseloads as a result of the Move to Universal Credit.

The methodology used to produce these projections has been developed in consultation with an external Expert Advisory Group.

Value

Releasing this information serves the public interest in understanding the projected low income poverty trends over time. The figures also help reduce the administrative burden of answering Parliamentary questions, Freedom of Information requests and other forms of ad hoc enquiry and serves public.

Further information and feedback

Contact [DWP Press Office](#)

(<https://www.gov.uk/government/organisations/department-for-work-pensions/about/media-enquiries>) if you have any questions or feedback.

1. A static microsimulation model is a modelling approach which uses micro-level observations, in this case from survey data, to simulate other states of the world including future states.
2. Using HBAI data from the financial years of the Parliaments starting from May 1997, the largest reduction in child poverty over a Parliament was under the 1997 to 2001 Labour Government, which oversaw a reduction of 300,000 children in relative low income after housing costs (between FYE 1998 and FYE 2002).



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