

# Budget 2025: Impacts on Revenues & Benefits Administration, Housing and Local Government Finance

## 1. Council tax administration

### High Value Council Tax Surcharge (HVCTS)

The main direct council tax change is the new High Value Council Tax Surcharge:

- From April 2028 a surcharge applies to residential properties in England valued at £2 million or more, levied on owners rather than occupiers.
- New charges start at £2,500 per year and rise to £7,500 for properties valued above £5 million. Fewer than 1 per cent of properties are expected to fall into scope.
- HVCTS is in addition to existing council tax; it does not change the current banding structure.
- Local authorities will collect HVCTS “on behalf of central government” and will be fully compensated for the additional costs of administering the new tax. Revenue is reserved to support funding for local services, with distribution decisions to be taken at the next Spending Review.
- Forecast Exchequer impact: –£60m in 2026-27, –£120m in 2027-28 (set-up and behavioural effects), then +£400m, +£430m, +£435m in 2028-29 to 2030-31.

*Administrative implications for councils:*

- New owner-based tax stream:
  - Need to align property ownership data (Land Registry, SDLT, VOA) with CT databases.
  - New processes for billing owners separately from occupiers.
- Fresh valuation work:
  - HVCTS requires “updated valuations” to identify properties above the threshold; details will follow in consultation.



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- Likely additional workload for VOA and for councils in checking and handling challenges.
- Systems and recovery:
  - CT systems will need new charge types, recovery paths and reporting to central government.
  - As the tax is targeted at a small, high-value cohort, individual disputes could be high-profile; authorities will want clear guidance on hardship / deferral mechanisms, which the consultation is meant to address.

There are no direct changes to core council tax discounts or CTR in the Budget, but welfare changes (below) will affect CTR caseload and income assessment.

## 2. Business rates administration

The combination of the new sectoral multipliers and the 2026 revaluation significantly changes the non-domestic rating landscape.

### *New Retail, Hospitality and Leisure (RHL) multipliers and high-value multiplier*

From 2026-27:

- RHL properties with RVs under £500,000 move from a temporary 40 per cent relief to permanently lower multipliers set 5p below the national multipliers.
  - Small business RHL multiplier: 38.2p (for RHL hereditaments under £51,000 RV).
  - Standard RHL multiplier: 43.0p (for RHL hereditaments between £51,000 and £499,999 RV).
- A new high-value multiplier of 50.8p applies to all hereditaments with RVs of £500,000 and above, 2.8p above the national standard multiplier.
- National multipliers after revaluation in 2026-27 are 43.2p (small business) and 48.0p (standard), down from 49.9p and 55.5p respectively in 2025-26, so all properties pay a lower tax rate per pound of RV than now.

Scope and distribution:

- Around 21,000 hereditaments will fall under the high-value multiplier, while over 750,000 hereditaments benefit from the RHL multipliers, out of approximately 2.01m hereditaments on the 2026 list.
- The majority of high-value hereditaments are in London and the South East, reflecting higher property values.
- The government estimates that 1,900 distribution warehouses (typically used by online retailers) will pay an extra £270m in aggregate between 2026-27 and 2028-29; over 35,000 pubs share a £210m reduction in bills and nearly 30,000 restaurants share £180m of reductions over the same period.

#### Wider business rates package:

- A re-designed transitional relief scheme caps bill increases and is worth £3.2bn over three years, benefiting larger properties such as airports and hotels.
- A supporting small business scheme worth over £500m caps increases for small businesses losing SBRR/rural relief; an extra £1.3bn is added to support RHL ratepayers as they transition to the new lower multipliers.
- Overall, the package of business rates measures, including the new multipliers, is worth £4.3bn over three years.

#### *Administrative implications for councils:*

- New multiplier categories:
  - Rating systems must accommodate six multipliers (two national, two RHL, one high-value, plus supplementary small schemes) and apply them correctly by property type and RV.
  - Authorities will need detailed mapping of local hereditaments to the statutory RHL categories; central guidance is promised but interpretation disputes will fall to billing authorities.
- Revaluation and transitional arrangements:
  - 2026 revaluation plus redesigned transition requires extensive re-billing, recalculation of instalments and proactive communications with large numbers of businesses.

- Appeals, casework and “edge cases”:
  - Disputes over eligibility for RHL multipliers and borderline RVs around the £500,000 cut-off are likely, increasing workload for revenues teams.
- Data and policy work:
  - Business rates income distribution will change (especially in areas with many high-value distribution warehouses or RHL centres), feeding into local tax base forecasting and Section 31 grant reconciliations.
  - The government has launched a call for evidence on business rates and investment, signalling further reform; billing authorities will want to feed in operational experience.

### **3. Local welfare schemes and wider cost-of-living**

The Budget’s welfare and cost-of-living measures are national, but they will influence demand for local welfare assistance, CTR hardship relief and discretionary housing payments.

*Key welfare changes:*

- Removal of the Universal Credit two-child limit in the Child Element from April 2026, lifting an estimated 450,000 children out of poverty, rising to ~550,000 including other measures such as free school meal expansion.
  - Fiscal cost rises to around £3.235bn a year by 2030-31.
- Universal Credit Standard Allowance (basic amount) to rise by over 6 per cent in April 2026, in line with the UC Act 2025; other working-age benefits uprated by 3.8 per cent (September 2025 CPI).
- National Living Wage to increase to £12.71 per hour from April 2026.
- Expanded free school meals to all pupils in England with a parent receiving UC, lifting a further 100,000 children out of poverty, and expansion of breakfast clubs to 2,000 more schools in 2026-27.
- Expansion of Help to Save to UC claimants with the caring or child elements, and higher UC childcare maximums for families with three or more children.

### *Fraud, error and compliance:*

- Extension of DWP's Targeted Case Review of UC claims to 2031, and new review activity for Pension Credit from 2026–2029.
- Increased face-to-face health assessments, WCA reassessment capacity and PIP award reviews, plus a Timms review of PIP.

### *Cost-of-living and energy measures:*

- Package to remove around £150 from the average household energy bill from April next year by ending the Energy Company Obligation levy on bills and funding 75 per cent of the domestic legacy Renewables Obligation cost for three years, plus expansion of the £150 Warm Home Discount by three million households.
- Freeze of regulated rail fares in England for one year and a further extension of the £3 bus fare cap to March 2027; prescription charges frozen for a year; fuel duty cut extended with staged increases later.

### *Administrative implications for councils and local schemes:*

- Reduced extreme poverty pressure over time:
  - Removing the two-child cap and increasing UC/benefits should reduce the depth of poverty among some high-need households, likely dampening demand for crisis grants, food vouchers and other local welfare interventions, though this will take time to work through.
- Changing income patterns for CTR and local support:
  - UC, NLW and benefit changes will alter household net incomes and possibly CTR awards; CTR schemes may need modelling to understand distributional effects, particularly for larger families.
- Increased DWP compliance activity:
  - More reviews and reassessments may lead to fluctuating UC/HB awards and more residents seeking advice from councils when awards change or are suspended, increasing contact volumes for local welfare teams.
- Local schemes design:

- With more central support for children (FSM, breakfast clubs), councils may wish to refocus local welfare on gaps such as migrants with NRPF, benefit-sanctioned claimants, or temporary accommodation residents who do not fully benefit from national schemes.

## **4. Housing administration**

Several measures affect housing benefit administration, temporary accommodation and future policy direction.

### **Housing Benefit and work incentives**

- From Autumn 2026, the government will “reduce the financial cliff edge” for HB and UC claimants in supported housing and temporary accommodation by changing how earnings are treated, so most claimants are not subject to sharp income reductions when working more hours.
  - Fiscal cost is relatively modest: £10m in 2026-27 rising to £25m annually from 2028-29 onwards.

*Implications:*

- HB systems, rules and guidance for supported housing and TA will change; housing benefit teams will need to adjust assessment templates, training and claimant communications.
- This should slightly improve work incentives for residents in TA and supported schemes, which may eventually reduce lengths of stay and rent arrears risk, but there could be transition complexity as new rules are introduced.

### **Housing Benefit / Pension Credit integration**

- The Budget confirms changes to “bring together the administration of Housing Benefit and Pension Credit” for pension-age claimants, with phased introduction from Autumn 2026.

*Implications:*

- Likely shift towards DWP-led administration of housing costs for pensioners (building on existing HB for pensioners / Pension Credit interactions).

- Potential reduction in LA HB caseload for pension-age households, with consequences for staffing, performance metrics and subsidy flows; but fewer duplicate claims and simplified customer journeys.
- Councils will need to manage transition for existing pension-age HB claimants and ensure data-sharing and joint processing arrangements with DWP work smoothly.

### **Short-term residential accommodation and homelessness**

The OVfM report highlights the VfM risks in “short-term residential accommodation”, including TA and related provision:

- The OVfM’s VfM study found a “high risk to value for money” due to lack of coordination, steep cost rises and ongoing reliance on short-term accommodation.
- It proposes a future model with:
  - greater local delivery and integration of services;
  - national planning and coordination to support longer-term approaches; and
  - new procurement models and capacity measures.
- The Ministry for Housing, Communities and Local Government and the Home Office are already testing locally led models with councils.
- As part of new “thematic VfM reviews”, homelessness services and TA will be a focus area, including exploring better funding and delivery models and more coordinated procurement.

#### *Implications:*

- Councils can expect further reforms to TA funding, commissioning models and possibly grant regimes over the Spending Review period.
- Local housing and commissioning teams will need good cost and outcomes data on TA and supported housing to engage with the thematic review process and argue for sustainable funding and prevention-focused models.

## 5. Local government finance and efficiency

### Efficiency requirements and spending control

The Budget and OVfM/efficiency documents together hard-wire ongoing efficiency expectations into the system.

- OVfM supported departments at SR25 to agree bespoke efficiency plans, identifying technical efficiencies of around £13.8bn a year by 2028-29, mostly through digital, policy reform and shared services.
- The government has now adopted a standing expectation that all departments deliver at least 1 per cent technical efficiencies each year, with bespoke departmental efficiency plans published biennially and progress reported through Annual Reports and Accounts.
- Budget 2025 overlays an additional “efficiency and savings” target from 2028-29:
  - £2.8bn savings in 2028-29, £4.0bn in 2029-30 and £4.9bn in 2030-31, equivalent to around 0.5 per cent of SR25 departmental budgets in 2028-29; RDEL still grows by an average 0.8 per cent a year in real terms over those three years.

For local government:

- The OVfM materials explicitly cite MHCLG simplifying funding for local government and cutting “wasteful bureaucracy”, with efficiency gains for councils that can be recycled into frontline services.
- However, continuing efficiency targets for departments will likely limit the scope for large grant uplifts and will keep pressure on councils to demonstrate their own efficiency and prevention credentials when bidding for funds or negotiating settlements.

### Devolution, growth and specific funds

Key funding flows and fiscal powers affecting councils:

- At least £13bn of SR25 funding for Greater Manchester, West Midlands, West Yorkshire, South Yorkshire, Liverpool City Region, the North East and Greater London is confirmed for 2026-27 to 2029-30 via integrated settlements, giving Mayors flexible “single pot” control over growth and public service priorities.

- A new local growth fund of £902m over four years for 11 mayoral city regions in the North and Midlands, with an additional £783m for the devolved nations.
- A £500m Mayoral Revolving Growth Fund for mayors in the North and Midlands with integrated settlements, supporting co-investment with the private sector, and access to around £7bn through an Affordable Homes Programme successor.
- Establishment of the Leeds City Fund: a Business Rates Retention zone allowing Leeds City Council to retain 100 per cent of business rates growth above an agreed baseline in the designated area for 25 years.
- A new power (subject to consultation) for mayors and potentially other local leaders to introduce a visitor levy on overnight accommodation, to fund local growth and the visitor economy.

These measures continue the move towards fiscal devolution and place-based funding, but are concentrated in mayoral / combined authority areas.

### **Schools deficits and the Dedicated Schools Grant**

- The Dedicated Schools Grant Statutory Override is extended to the end of 2027-28, and the government signals that future SEND costs should not fall on local authority general funds once reforms and new funding arrangements are in place. Details on supporting LAs with historic and accruing DSG deficits, and conditions for help, will be set out alongside the Local Government Finance Settlement.

This extension temporarily reduces pressure on general funds but keeps DSG deficits a major strategic risk for many authorities pending clarity on the support framework.

## **6. Cross-cutting administrative themes for councils**

Across these measures, key operational points for council tax, revenues and wider local government teams are:

- System changes and data integration: moving to new CT, BR and HB parameters (HVCTS, new multipliers, TA rules, HB/PC integration) will require early engagement with software suppliers, data-sharing arrangements and staff training.

- Increased complexity at the top and bottom of the income distribution: higher-value property surcharges and new levies on high-value commercial property sit alongside significant improvements to support for low-income families; both ends generate politically sensitive casework.
- Prevention and VfM focus: OVfM's legacy and 10-year efficiency projections place prevention and long-term value at the centre of spending decisions (e.g. children's social care reforms and NHS tech), which councils can align with when making the case for local welfare, homelessness prevention and early help investments.