



Autumn Budget 2025: speculation

The DeHavilland Guide

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Authors

UK Policy Team

Editorial team

Steve Tolley
Group Political Content Editor

Hattie Ireland
Head of UK Monitoring

Michael Cameron
Lead Policy Analyst

/ Overview

By James Nation, Forefront

Contrary to previous years, this is a Budget process that is going to the absolute wire. With the first post-measures forecast from the OBR arriving on the Chancellor's desk last week (Monday 10 November), decisions on final measures – such as increases to income tax – were still to be taken.

We've long said that the politics of putting up income tax rates – particularly the basic rate – was toxic and therefore that nothing was inevitable. This final decision by Starmer and Reeves not to put up rates does reflect the political predicament they find themselves in.

Despite the pitch rolling for a more 'one-and-done' approach via a rise in income tax rates, we are back to a piecemeal Budget, with a series of discrete measures to restore and then try to increase headroom.

Our best judgement remains that we are looking at a total consolidation in the region of £30 billion, given all that we know about giveaways the Government wants to fund, policy costs, forecast movements, and a desire to build more headroom.

Of the revenue raisers still on the table, it's the £10 billion freeze to income tax thresholds that will do the heavy lifting from 2028. Changes to salary sacrifice, capital taxes, and gambling taxation all remain on the table. Ministers seem to want to press on with a plan to tax EVs and to introduce a higher value property tax, though the latest rumours cast doubt on timing and yield.

Further options to pencil in additional spending restraint and to 'tackle the tax gap' remain as tempting to Reeves as they did to previous Chancellors.

This could include the possibility of up to £3 billion of efficiencies from within the current spending envelope, small billions through maintaining current spending plans in cash terms, and £5 billion through adjustments to departmental spending assumptions in later years.

But we still think there's a question mark – even at this late stage – over the credibility of this plan, with so many revenue raisers backloaded, particularly if Reeves still intends to surprise on the day with giveaways to help with the cost of living (action on lowering energy bills and other measures to bear down on inflation being a key part of the strategy here). It's this point in particular – on the path of the consolidation – which we will be watching with interest on Budget day.



/ Business, industry, and trade

By Harry Bhattacharyya

What's speculated?

- Business rates multipliers set to be announced, as the next step towards reforming the business rates system. This was confirmed during November's Treasury oral questions.
- It is expected that further details of the Government's youth guarantee will be set out, after the policy was launched at September's Labour Party conference
- Following calls from the retail sector, the Government is expected to close the De Minimis tax loophole

Business rates multipliers set to be announced

The Chancellor is set to lay out the Government's reforms to the business rates system at the Budget. According to Treasury's September Business rates: forward look policy paper the Budget will see the [announcement](#) of all multiplier rates for 2026-27 and details of the Transitional Relief Scheme. This followed "stakeholder engagement on specific reform options".

Chief Secretary to the Treasury James Murray [confirmed](#) this during Treasury Oral Questions on 4 November, by saying "we will set out more detail at the Budget on 26 November, we will have permanently lower business rates for retail, hospitality and leisure premises, with rateable values below £500,000."

The British Retail Consortium has [called](#) on the Chancellor to "back families, jobs and high streets this Autumn, by excluding large shops from the new higher business rates tax band". Meanwhile UKHospitality has [urged](#) the Government to lower business rates at the Budget.

Youth guarantee details to be set out

The Government is [expected](#) to lay out its plans on the youth guarantee scheme with Employment Rights Minister Kate Dearden stating during a debate on the Employment Rights Bill in early November that "further details, following further engagement, including with employers", will be confirmed by the Chancellor in the autumn Budget.

Meanwhile, *The Guardian* [reports](#) that Reeves will announce funding for the scheme which will see guaranteed paid work for eligible young people who have been on benefits for 18 months without earning or learning.

This follows Reeves' [commitment](#) during her September Labour Party conference speech to provide the new scheme, offering education, training, or a work placement school leavers or young people out of work.

De Minimis tax loophole

Meanwhile, the BBC [reports](#) that the Chancellor may use the Budget to close the tax loophole that allows foreign online marketplaces to import packages into the UK worth less than £135 and avoid paying taxes.

The issue has been a key demand of the retail and business sectors, with the British Retail Consortium [arguing](#) low-value imports were a "significant and growing threat" to Britain's high streets and that they exposed the public to "unregulated, potentially unsafe products".

Meanwhile, Chair of JD Sports Andy Higginson called on the rule to be closed to ensure a "level playing field" for UK retailers, *The Guardian* [reports](#).

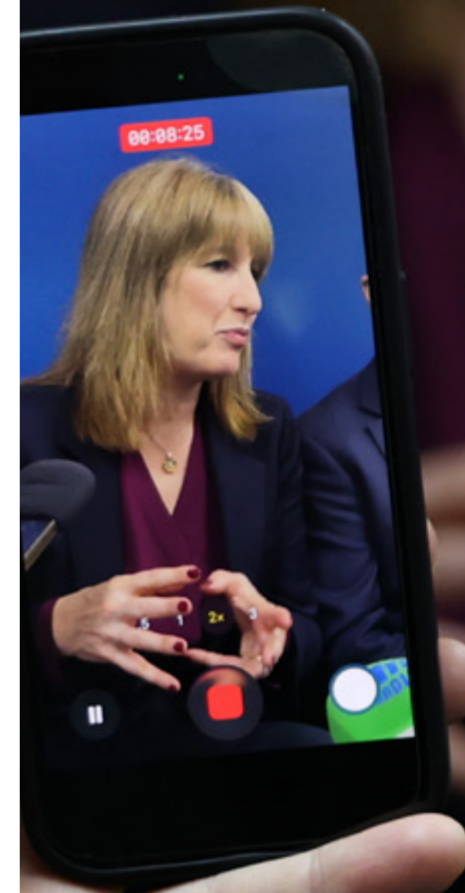
Industrial strategy

In the Industrial Strategy [published](#) in June 2025, the Government promised to look at "all available levers to deliver change at the Budget in autumn 2025 and across the Parliament", including "via continued consideration of the tax environment" to ensure it supports the ambitions of the Industrial Strategy.

Cyber security

The Cyber Security and Resilience (Network and Information Systems) Bill finally [materialised](#) in early November. DSIT [outlined](#) the aims of the Bill in a statement back in April. It will bring more services in scope of existing NIS regulations, including "managed services providers" and "critical suppliers" to public services.

Against this backdrop, industry is [calling](#) for the Government to target the equivalent of at least 1% of GDP annually on digital and cyber resilience by 2035 alongside investing in undersea cable maintenance capabilities. techUK is also pushing for tax and grant credits to incentivise investment, particularly SME investment, in cyber resilience and other security measures.



/ Culture, media, and sport

By Alex Macpherson

What's speculated?

- Music venues and theatres will be looking out for business rates reform, given recent comments from the Government on its aim of revitalising UK high streets.
- The Chancellor is unlikely to introduce a "streamer levy", yet arts education may benefit from Bridget Phillipson's proposed curriculum reform.
- MPs have urged the Government to introduce a gambling levy to fund lifting the two-child benefit cap, though the options under consideration may not raise adequate funds.
- Local mayors have called for the right to introduce a "tourist tax", while business leaders are urging the Government to re-introduce VAT-free shopping for tourists. The Government has yet to make any significant promises for the sector.

Creative industries

Given the Chancellor's focus on fiscal consolidation at the upcoming Budget, any large spending commitments for the creative sector are unlikely. Yet the Government has promised a reform of business rates, which Ian Murray, the Minister for Creative Industries, [said](#) will provide "certainty and support" to businesses such as music venues. Following on from the lower tax rates for retail, hospitality, and leisure properties introduced last year, the Government's Interim Report on business rates [emphasised](#) its aim of boosting growth and revitalising high streets across the country.

The CMS Committee, meanwhile, has [called](#) on Rachel Reeves to bring forward tax relief to support "the distribution and exhibition of independent British films." In a letter to the Chancellor, Committee Chair Dame Caroline Dinenage [said](#) the Independent Film Tax Credit introduced last year was a "welcome boost" to the British screen industry, but that "without proper marketing, many great British films end up missing out on the audiences they deserve."

Dinenage's Committee also recommended introducing a "streamer levy" of 5% on UK subscriber revenue, to which the Government [responded](#) that it has "no plans to introduce a levy on SVoD services". As for tax reliefs, the Government said the Chancellor would make decisions in the "context of the wider public finances."

It remains unclear which specific industries will be included in any tax relief for the creative sector. Michelle Wright, the Chief Executive of social business Cause4, [said](#) that arts organisations have spent the past few years "grappling with uncertainty", facing a "lack of clarity on long-term funding for arts and education."

Bridget Phillipson's proposed scrapping of the English Baccalaureate does, however, open the door to greater investment in music education. The BBC [reports](#) that musicians including Ed Sheeran, Harry Styles, and Annie Lennox have campaigned for such a reform, leading to a promise from Sir Keir Starmer that his Government "will revitalise the arts in schools."

Gambling

The Chancellor is likely to introduce a tax hike on gambling, with former Prime Minister Gordon Brown among supporters of a [plan](#) to target online casinos, slot machines, and high-stakes betting. An Institute for Public Policy Research paper has [suggested](#) that such a tax could raise more than £3 billion per year, allowing Rachel Reeves to lift the two-child benefit cap. Given the lack of public sympathy for the gambling industry, *The Times* [notes](#), a tax hike would cause the Chancellor little political pain.

Yet the same paper [adds](#) that Reeves and her team are apparently leaning more towards a kind of taper system for child benefit payments, which would reduce the cost. She is also expected to exempt the UK horse racing industry from a gambling tax, which would significantly reduce its revenues. A Whitehall source [told](#) *The Telegraph*: "This is not about targeting horse racing, football, and the like. It is not the stuff most people have a flutter on casually."

MPs in the Treasury Committee have [said](#) the Government should tax online betting games "at a rate that reflects the level of harm they inflict", rejecting "the industry's assertion that gambling causes no social ills". Nearly a quarter of Labour MPs have signed a [petition](#) urging Rachel Reeves to hike gambling taxes and lift the two-child benefit cap.

Yet the BBC [quotes](#) Grainne Hurst, Chief Executive of the Betting and Gaming Council, as saying "BGC members contribute £6.8 billion to the economy, generate £4 billion in tax, and support 109,000 jobs". The co-founder of Betfred, Fred Done, claimed all 1,287 of its UK shops may disappear from the high street if the Chancellor hikes taxes on gambling firms.

Tourism

The Government could introduce a "tourist tax", following [calls](#) from Angela Rayner and the IfG for mayors to be able to add a levy to hotel stays. Minister for Trade Sir Chris Bryant has [said](#) his Department will look at pilot schemes in places such as Manchester but added that "many people in the sector have made the point to me that they feel taxed enough."

Despite this suggestion from Sir Chris, *The Times* [reported](#) in November that the Chancellor has considered the issue of fiscal devolution and will confirm at the Budget that mayors in England will get the power to levy an overnight tourism tax. Amendments will be brought to the English Devolution and Community Empowerment Bill to enact the change.

The Chancellor faces opposing calls from Burberry bosses, who have urged the Government to re-instate a tax-free shopping scheme for tourists. According to reports in *The Guardian*, that they [say](#) such a scheme has potential to increase tourist spending and "unlock further growth", pointing to a VAT refund programme for foreigners that was scrapped at the end of 2020.

Bryant also [suggested](#) that he will look to take forward the previous Government's work on short-term lets, though this is likely to come after the Budget. He noted that it seems "inherently unfair" for "hotel-like accommodation" not to be subject to the same rules or taxation as "even a small hotel".

Given the 41% cut in GREAT funding [made](#) to VisitBritain earlier this year, the Government is ultimately unlikely to commit any significant spending to the tourism and events sector.

/ Defence

By Jemba Valerio

What's speculated?

- Spending commitments announced over the past year have arrived without a clear roadmap for delivery, leaving an urgent need for clarity on funding.
- It is likely that the much-anticipated Defence Investment Plan will set out the major defence funding announcements later on in the year, rather than the Budget.

Increased spending commitments

With the backdrop of the war in Ukraine, the threat of Russia looming over the West in recent years, and the danger of decreased funding from the US, the Government has significantly increased its defence spending promises.

In February, the Prime Minister [brought](#) forward the Government's pledge to spend 2.5% of GDP on defence to 2027 – an increase of £13.4 billion a year. Sir Keir Starmer also set out the Labour Party's ambition for defence spending to rise to 3% of GDP in the next Parliament.

On top of this, at the June NATO Summit, the Prime Minister [announced](#) a further commitment to spend 5% of GDP on "national security", which would be made up of defence spending, wider homeland security, and national resilience.

While a cut in ODA from 0.5% of GNI to 0.3% of GNI by 2027 was implemented to fund the initial increase in defence spending, no tangible pathway has been outlined for the further increase, something that the Budget could potentially provide.

The Strategic Defence Review

Similarly, June's 144-page Strategic Defence Review (SDR) outlined 64 ambitious recommendations to get Britain "ready for war". Up to 12 new attack submarines, £15 billion on nuclear warheads, and thousands of UK-built long-range weapons have been promised.

The Review also [includes](#) £1 billion for cyber capabilities, six new munitions factories, and improved military housing for armed forces personnel.

Numerous of these recommendations are meant to be implemented within the timeframe of the 25/26 Budget, such as a new defence diplomacy strategy, a new system for science R&D, and the development of a package of support for its industrial partners that removes barriers to collaboration.

All of these recommendations, strategies, and support packages come with a host of costs. While the Defence Secretary accepted all recommendations, no specific outline as to how this was going to be funded have been laid out.

This was a key criticism of the SDR from opposition parties, with Sky News [quoting](#) Shadow Defence Secretary James Cartlidge at the time who said that "all of Labour's Strategic Defence Review promises will be taken with a pinch of salt unless they can show there will actually be enough money to pay for them".

The Defence Investment Plan

Minister of Defence Readiness and Industry, Luke Pollard, [confirmed](#) that the yet-to-be-published Defence Investment Plan (DIP) would "deliver the SDR's vision". Similarly, in a Westminster Hall debate in early November, Minister for the Armed Forces Alistair Carns [stated](#) that defence spending announcements would be made as part of the DIP.

The DIP will also "supersede" the Defence Equipment Plan, something not published since 2023. As [mentioned](#) in DeHavilland's 2024 Budget Speculation Briefing, the NAO [reported](#) a substantial funding gap within the Ministry of Defence's budget and that it had a £3 billion deficit in the equipment plan for 2024/25 and a further deficit of £3.9 billion for 2025/26.

With major questions circulating about funding and the DIP not slated to arrive until Christmas, it is likely people will need to wait for the Budget to pass to find out anything substantial.



/ Economy and financial services

By Harry Bhattacharyya and Hattie Ireland

What's speculated?

- With early talk of an increase to income tax (and corresponding cut in National Insurance), it is now expected that this manifesto-breaching policy has been dropped from the Budget.
- With a fiscal hole still to fill, the Chancellor is expected to take a "smorgasbord" approach of raising funds from smaller tax changes.
- This could include ending or limiting the capital gains tax exemptions for high-value or primary properties.
- Pensions tax relief could be altered, albeit unlikely through changes to the lump sum. Instead, there could be a new £2,000 limit to the amount of someone's salary that can be sacrificed into a pension before paying National Insurance.
- It is expected that there will be changes to ISA, with a cut to the tax-free annual cash ISA allowance to £12,000.

Capital gains tax

As part of efforts to fill an expected gap in the Chancellor's spending and borrowing rules, a range of tax announcements are expected.

The Treasury is [reportedly](#) considering ending capital gains tax (CGT) exemptions for high-value properties, in a move dubbed a "mansion tax", according to *The Times*.

As part of wider plans on property taxation, the Chancellor is also thought to be weighing up ending the exemption to CGT for owners who sell their primary residence. This change would see higher-rate income taxpayers paying 24% of the value of gain made from a rise in value of the property, with basic rate payers set to pay 18%.

Employment taxes

Early speculation in *The Times* had [suggested](#) that the Chancellor could go against her party's manifesto promise not to increase taxes on working people, with an increase of all three rates of income tax.

However, following significant public, MP and stakeholder criticism, the *Financial Times* later [reported](#) that Reeves has u-turned on the measure and "ripped up" proposals. She along with the Prime Minister made the decision ahead of the final submission of "major measures" to the OBR. The paper understands that revised measures would take a "smorgasbord" approach of increasing a range of narrowly-drawn taxes. They also suggest

the Chancellor could do a possible reduction in income tax thresholds, while leaving the basic and higher rates of the tax unchanged.

The Guardian's Pippa Crerar [expects](#) income tax thresholds to be frozen for another two years, to 2030. She also confirms that sources have ruled out cutting the thresholds for paying higher rates on income tax.

According to the *Financial Times*, the Treasury has [reassured](#) senior City figures that Reeves will not impose full employer national insurance contributions on LLPs. Following extensive lobbying from lawyers and accountants the policy under discussion is set to be "not aggressive" compared with industry expectations.

However, *The Telegraph* [suggests](#) that the rate of dividend tax is also set to rise, with the Chancellor hoping to raise a further £2 billion from such a measure. It is also understood that Reeves is considering cutting the tax-free allowance for earnings from dividends which currently stands at £500; abolishing it completely would raise around £325 million.

Pension contributions

When it comes to pensions the Chancellor is expected to protect pensioners and instead limit a tax break on pension contributions for both employers and employees.

The Times [understands](#) that pension lump-sum withdrawals will not be cut but the amount of salary that can be sacrificed without incurring national insurance payments could be capped at £2,000 a year.

The move could raise up to £2 billion annually with any pension contributions over £2,000 requiring the full rate of National Insurance of 8% on a salary of less than £50,000 and 2% on income above that.

Landlord taxes

Another measure that the Chancellor is reportedly considering is making landlords pay National Insurance on rental income. *The Times* [reports](#) the move could bring in around £2 billion a year.

One proposal would be to create a new class of NI which would be applied to rental income at a basic rate of 20%, with an additional rate on earnings over £50,270.

Banking levies

A possible winner at the Budget is Britain's banks, who are thought to be spared from a major tax raid after Reeves has told colleagues she wants to allow the sector to remain competitive and drive economic growth, the *Financial Times* [reports](#).

It is believed that the Chancellor will instead focus on taxing "wealth" as opposed to business and may consider a "settling-up charge" to deter wealthy people from leaving to avoid tax.

Isa allowance

The Chancellor is said to be considering limiting her cut to the tax-free annual cash Isa allowance following a major backlash from building societies, the *Financial Times* [reports](#). After suggestions she would cut the tax-free level from £20,000 a year to £10,000 a year, the Treasury is now said to have pushed for a figure of £12,000.



/ Education

By Harry Kesterton

What's speculated?

- The Government is expected to use the Budget to extract savings from the schools sector rather than provide significant new spending, with SEND pressures looming large and unresolved.
- Delay to the Schools White Paper creates uncertainty over long-term SEND funding, raising the possibility that the Budget may offer interim support until its publication.
- The Budget may earmark a discrete school improvement pot to fund RISE capacity and targeted intervention without reopening the core funding settlement.
- Delivery of the Government's skills strategy hinges on sustained investment in FE – something the sector fears may not materialise beyond the headline settlement.
- Reeves' Youth Guarantee is likely to feature prominently, driven by rising NEET numbers and the appointment of Alan Milburn to lead a review.
- In higher education, the targeted maintenance grant scheme and international student levy are expected to be detailed, despite widespread concerns over the levy's financial impact.
- The sector awaits clarity on how the OfS will exercise new fee-setting powers tied to quality thresholds.

Schools

The Government is seeking savings in the schools sector, with schemes announced last week to signpost schools to "saving platforms" and targeting their "under-utilised assets" which the Department believes adds up to over £6 billion, *Schools Week reports*. We may see the DfE launch its new cash-saving scheme next week in an effort to create funds without direct Government spending.

However, cash-finding efforts do not address "the underlying problem", says Julia Harnden, Deputy Director of the school leaders' union ASCL, highlighting that school budgets have seen no real-terms increase since the Government took office. Most additional allocations in recent years have gone toward teacher pay settlements and SEND provision, leaving little flexibility for wider investment.

The Government's recently updated statutory [guidance](#) on support and intervention in schools also lays the foundation for school standards reform without reopening the core schools funding settlement. Given the move to a universal RISE offer with the option of mandated, targeted intervention, it is plausible that the Budget will earmark a dedicated pot to fund RISE staffing and intensive support

packages. This would likely sit alongside resourcing for the 36 new attendance and behaviour hubs [announced](#) in an attendance roadmap revealed earlier this month.

The SEND crisis, meanwhile, remains a central concern. Currently, many councils are relying on a statutory override to prevent SEND-related deficits from appearing on their balance sheets, a temporary measure that will expire next year. The BBC [reports](#) that councils are facing "total collapse" under the financial pressures of the system, with representatives calling for reform to address the unsustainable costs.

Long-term reform and sustainable funding for SEND were expected to be outlined in the forthcoming Schools White Paper, but publication has been delayed until 2026. It remains unclear whether next week's Budget will include interim funding or whether this will instead be addressed once the White Paper framework is finalised.

Further education

Labour's flagship V-Level qualifications – positioned as the cornerstone of its plan to create a coherent "third route" for post-16 education and align labour market needs with education – will be a key focus. These new qualifications are central to the Government's ambition for two-thirds of under-25s to be engaged in higher-level learning and to double the proportion of young people pursuing technical education by 2040, and will absorb much of the £1.2 billion per year funding for the FE sector announced at the Spending Review.

To make this ambition achievable, the Budget is expected to include measures aimed at narrowing the difference in esteem between academic and technical pathways. The recent 4% pay settlement for FE teachers matches that of schoolteachers for the first time, marking a step toward parity. However, the Association of Colleges has [warned](#) that without sustained funding increases, the new pay levels will be difficult to maintain and could come at the expense of course provision or staffing levels.

Reeves is also expected to announce funding for Labour's "youth guarantee" scheme, which would offer guaranteed work for those on universal credit for over 18 months without earning or learning, [according to The Guardian](#). It comes as the former Health Secretary, Alan Milburn, was [appointed](#) earlier this month to lead a review into the [rising](#) number of NEETs. The newest figures will be [released](#) less than a week before the Budget and may hit the 1 million mark. Reeves will likely address this through additional funding to the youth guarantee and youth hubs.

The Budget is also expected to set out clearer details on how additional skills investment will be allocated, including how colleges, combined authorities, higher education institutes and employers are expected to collaborate to deliver the Government's wider growth missions.

Higher education

The reintroduction of targeted maintenance grants, funded by an international student levy, both committed to in the Post-16 Education and Skills White Paper, is anticipated at the Budget (you can find DeHavilland's Note on this White Paper [here](#)).

The levy, first discussed in the Immigration White Paper where modelling for a 6% levy was shown, has caused concern in the sector. While the decision to uprate domestic tuition fees in line with inflation has been widely welcomed, the international levy has been criticised by some as doing more harm than good at a time where global policy shifts have made the UK relatively more attractive, but with universities warning that an additional levy could undermine that advantage.

Figures compiled by the Higher Education Policy Institute have [suggested](#) that the proposed 6% levy would cost universities a combined £600 million a year, and business leaders have [written](#) to the Chancellor to scrap the "university tax", warning of "unintended consequences", *The Independent* reports. With recent polls suggesting the public believe higher education is [oversubscribed](#), and immigration sentiment still politically sensitive, it is unlikely Labour will soften its stance.

Alternative education funding [models](#) such as specific taxes paid by graduates, employer levies, and reforms to the loan repayment system are unlikely to be explored given the Government's recent [linking](#) of student fees to inflation over the next two years. Details may, however, emerge in the framework for the OfS to cap fees under new quality thresholds, building on the Skills White Paper's assertion that future fee uplifts will be [conditional](#) on "achieving a higher quality threshold through the [OfS's] quality regime".

The [reintroduction](#) of targeted maintenance grants further signals this shift to a more domestic, skills focused policy agenda. Grants will be means-tested and available to students pursuing qualifications aligned with the Industrial Strategy, with precise eligibility and subject coverage expected to be detailed in the Budget.

/ Employment and welfare

By Amber Shaikh

What's speculated?

- Major welfare changes are being actively considered, with the Chancellor signalling she "can't leave welfare untouched", raising expectations of tighter rules or new obligations for sickness and disability benefits despite warnings from advocacy groups that cuts would hit vulnerable households hardest.
- Disability support could face significant restructuring, with speculation about Motability reforms that may remove VAT and insurance tax exemptions and restrict access to higher-end vehicles.
- Core benefits may see an inflation-linked rise of around 3.8%, offering modest protection for low-income households, while major changes to PIP eligibility are now unlikely this year; the Government has delayed substantial reforms until the Timms review concludes next year.
- With unemployment rising to 5%, slower wage growth, and businesses warning that higher employment costs are deterring hiring, speculation centres on whether the Budget can raise revenue without worsening already fragile employment conditions.
- The two-child benefit cap is widely expected to be scrapped or heavily amended, with Reeves and Starmer both strongly hinting at full removal.

Welfare changes

In an interview ahead of the Budget, the Chancellor told *The Guardian* that she "can't leave welfare untouched this Parliament", [confirming](#) that ministers are actively considering measures that could reshape welfare spending and eligibility.

Policy details remain under wraps, but the article makes clear that senior officials are prepared to implement cuts or new obligations for sickness and disability benefits.

Advocacy groups quoted in the piece warn that cutting support will disproportionately impact vulnerable groups already at higher risk of poverty and hardship, especially as inflation continues to erode benefit values.

Disability benefits and Motability reform

The Budget will likely bring significant changes to disability-related support, focusing attention on Personal Independence Payment (PIP), the Motability scheme, and the insurance market for disabled motorists.

The Star [highlighted](#) speculation that eligibility rules for PIP will remain broadly the same, with Social Security Minister Sir Stephen Timms [confirming](#) that no alterations would be made.

However, *The Times* [reports](#) that the Chancellor may introduce new restrictions or checks for Motability support and associated benefit linked car insurance schemes, aiming to save over £1 billion by scrapping tax exemptions for cars leased through the programme.

The proposals could remove VAT and insurance premium tax breaks, and restrict access to luxury brands like BMW and Mercedes.

Disability groups have [warned](#) that removing Motability's VAT exemption would make vehicles unaffordable, forcing many off the scheme. They say this would severely reduce independence, limit access to work, healthcare and family support, increase isolation, and heighten pressure on health and social care.

Benefits restructuring

Early indications suggest the Budget could deliver a broadly inflation-linked uplift across the welfare system, with *The Sun* [reporting](#) that benefits such as Universal Credit, PIP, Carer's Allowance and Attendance Allowance could potentially rise by around 3.8%, in line with September's inflation figure.

This would translate into modest increases: Attendance Allowance could rise to about £76.71 on the lower rate and £114.59 on the higher rate, while PIP's daily living component may increase to around £114.59.

These adjustments would follow the usual annual uprating process and would provide some real-terms protection for millions of low-income households.

However, again, it is more likely that no major changes are expected to PIP in this Budget, despite the DWP previously signalling an intention to tighten eligibility rules as part of wider welfare reform.

Any plans have potentially been dropped after strong backlash from charities and MPs, and the Government has instead [launched](#) a full review of PIP rules. Any substantive reform is therefore delayed until at least next year, when the review, led by Sir Stephen Timms, is expected to conclude.

Employment

The UK labour market is showing signs of softening, with the IFS finding that unemployment has [risen](#) to 5%, the highest level in four years, and wage growth slowing from 5% in August to 4.8% in September. This weakening has raised concerns about the economy's resilience and how proposed tax measures in the Budget might affect jobs.

According to *The Guardian*, [speculation](#) ahead of the Budget, has centred on how the Chancellor will balance the need to raise revenue with the risk of further weakening employment incentives.

Businesses are already stressing that higher employment costs are barriers to hiring. The Institute of Directors [notes](#) that payrolled employees have fallen 180,000 over the year, and surveys suggest that regulatory uncertainty, such as the Employment Rights Bill is making hiring riskier and more costly for firms.

The combination of slowing wage growth, rising unemployment, and cautious employers poses a delicate task for the Budget. Any policies that raise the cost of hiring could discourage employers, while clear guidance and economic support, such as a likely interest rate cut, may be needed to help create jobs.

Two-child benefits cap

As [reported](#) by *The Guardian*, it has been hinted that the Chancellor will fully remove the two-child benefit cap, a move projected to cost over £3 billion but that could potentially lift 350,000 children out of poverty.

Reeves indicated that the policy unfairly penalises children through no fault of their own and has framed its removal as a key step in reducing child poverty ahead of the next election.

The Prime Minister also strongly hinted at its removal, [telling](#) ITV, "we won't have to wait much longer, but I wouldn't be telling you that we're going to drive down child poverty if I wasn't clear that we will be taking a number of measures in order to do so".

Reeves has also spoken to former Labour Prime Minister Gordon Brown, a long-time campaigner against the cap, who [told](#) Sky News that he is "confident that the two-child rule will be addressed".

Allies suggest this marks a clear shift from Labour's previous caution, reflecting both public support for ending the cap and pressure from within the party to tackle child poverty. The decision may be paired with broader tax changes, including potential income tax rises, to fund the measure.

/ Energy and environment

By Jess Hazel

What's speculated?

- Energy bills will be a key headline focus of the Budget, with Reeves keen to deliver targeted action to tackle cost-of-living challenges.
- The Treasury is weighing VAT cuts and levy reforms to tackle energy bills, but it will have to navigate balancing trade-offs between fiscal costs, the political appeal of immediate bill relief and attempts to avoid inflationary impacts.
- Pressure on the Chancellor to end or reduce the windfall tax on oil and gas firms has also intensified ahead of the Budget.

Cutting energy bills

Reductions to energy bills are a central priority for the Government at the Budget, with the Chancellor considering targeted action to address cost of living challenges. Following the failure of the Government to deliver on its election promise to lower bills by £300, energy bills are now a key political vulnerability for the Government.

At the same time, Starmer and Reeves are acutely aware that further bill rises linked to the RII0-3 price controls in April 2026 could produce a significant political headache ahead of the May local elections.

As such, the Treasury is keen to show it is serious about curbing inflation while taking action to ease the cost of living. A senior Labour figure [told](#) the *Financial Times* that bill-reduction measures are under consideration because of their potential to reduce CPI inflation and, in turn, accelerate interest rate cuts. Measures that deliver visible bill cuts while balancing inflationary impact and political appeal will therefore likely be central to Treasury deliberations.

Changes to VAT, levies, or both?

To achieve these bill reductions, ministers are [said](#) to be considering scrapping VAT on energy bills or reforms to policy costs and levies on bills, which could cut annual bills by as much as £200.

Nesta [estimates](#) cutting VAT from 5% to 0% would save an average household an estimated £86 a year. The Treasury sees the benefit of VAT cuts as being deflationary.

However, cutting VAT is not a particularly targeted approach, with the wealthiest households set to benefit the most. It would also come with a significant cost to the Treasury at an estimated £2.5 billion a year.

Speculation over [cuts](#) to energy efficiency programmes and heat pump subsidies within the Warm Homes Plan to fund energy bill reductions has sparked considerable backlash from the sector. A letter to Reeves signed by 60 organisations including Age UK, Citizens Advice, and Friends of the Earth [warns](#) against measures to achieve a "short-term fix" by slashing funding for energy efficiency measures. Energy UK also [cautioned](#) against "knee-jerk" cuts to investment in warmer homes.

The alternative, or additional option for the Treasury, is moving some levies from bills to taxation, which could better balance costs to the Exchequer while also delivering bill reductions.

Green Alliance [sets](#) out that the Government could cut energy bills by £178 a year by removing renewable subsidies, reducing system costs, and implementing energy efficiency standards, while limiting long-term impacts on public finances. Warning against cuts to VAT and energy efficiency programmes, Green Alliance suggests targeting policy costs for legacy renewable support schemes. Likely candidates include the RO and small-scale Feed-in-Tariffs. The advantage of this approach is that the cost to the taxpayer is likely to fall over time.

AR7 and offshore wind

The Government faces a key political challenge in aligning its Clean Power by 2030 pledge with its manifesto commitment to cut household energy bills by £300. The political climate is shaping how much offshore wind the Government is willing to procure and, critically, over whether it will bring value for money to consumers. Procuring the full 7-9 GW required to stay on track for 2030 could risk a political backlash over energy bill impacts.

The current AR7 budget of £1.08 billion for offshore wind has drawn sharp criticism from the sector, with forecasts that it may only secure 4-5 GW of new capacity. While Miliband has the power to adjust the Budget to contract more, the Government appears focused on procuring a volume that represents the best value for money. An uplift remains a possibility, but only if it can represent strong value to consumers and the broader economy.

An early scrapping of the EPL?

As noted by Energy Voice, comments by the Prime Minister that he [wants](#) to "double down" on North Sea extraction have fuelled speculation that the Chancellor could scrap the windfall tax on the UK oil and gas industry earlier than expected. This would reverse the decision in last October's Budget to extend the EPL by a year to March 2030.

The *Financial Times* [notes](#) the Chancellor has been seeking assurances from firms that the move would result in a revenue boost for the Exchequer and in new investment in the North Sea. The OBR estimated last year that the EPL extension would raise about £1 billion, although it added there was uncertainty around this figure.



/ Health and social care

By Joseph Gellman

What's speculated?

- Despite DHSC being considered a "winner" at previous fiscal events, unforeseen cost pressures have seen health stakeholders call for further funding at the forthcoming Budget.
- Although it initially seemed that funding for redundancy costs would be announced, an alternative solution has been sorted out before the Budget.
- Noises from the US and actions taken by the ABPI indicate that an announcement on medicines pricing is likely.
- Though the Government remains in dispute with the BMA, there remain suggestions that progress will be made on staff pay for those represented by GMB.
- An announcement on tackling waiting lists is also expected.

Context

Despite the tough fiscal outlook that the Government has faced since coming to power, the Department of Health and Social Care has been among those best supported by the Treasury.

DHSC was considered a "winner" in both the 2024 autumn Budget and the 2025 Spending Review, with the Government repeatedly [emphasising](#) the £22 billion invested into the health service.

Although the sector welcomed this funding at the time, unexpected cost pressures since the last Budget have led to stakeholders calling for more.

Last month, the NHS Confederation and NHS Providers [elaborated](#) on this, highlighting the following three key areas as unplanned cost pressures which were not accounted for in the 2025/26 NHS budget:

1. Redundancy costs at integrated care boards (ICBs)
2. Industrial action
3. Higher drug prices

The two organisations have estimated that these costs could amount to £3 billion, with the Chancellor being called upon to cover the gap, or else risk the Government's NHS priorities, such as reduced waiting times, being missed.

The Budget will indicate whether these calls have been heeded, or if the health service is instead going to have to alter its own budget, risking broader improvement targets.

Redundancy costs

In recent weeks, it has been reported that the Treasury and DHSC were in a standoff over redundancy costs.

With NHS England (NHSE) in the process of being abolished, ICBs were told in March to drastically reduce running costs, which involves mass redundancies.

The Telegraph was [told](#) that the Health Secretary asked the Chancellor to fund these redundancies, with Rachel Reeves initially resisting Wes Streeting's demands, even via a loan. Though it was also reported that half the money would be provided if DHSC absorbed extra pharmaceutical costs.

Despite this conflict, optimism grew about a potential solution, with HSJ [reporting](#) comments from NHSE Chief Sir Jim Mackey that the issue will hopefully be "resolved properly before the Budget", adding that talks are "there or thereabouts".

Although it first seemed as if an announcement would be made at the Budget, HSJ has since [reported](#) that the Treasury has instead allowed the NHS to overspend its existing budget settlement to fund redundancy payments, with the health service paying the overspend back in subsequent years.

This was then [confirmed](#) by the Government, with the related press release explaining that the Budget will focus on cutting waiting lists, cutting the national debt, cutting the cost of living, and reducing waste in public services.

Drug prices

The life sciences and pharmaceutical sectors lobbying ahead of the Budget is nothing new, and the Association of the British Pharmaceutical Industry (ABPI) has [used](#) its pre-Budget submission to set out six policy recommendations.

However, given the current geopolitical climate, this month's Budget could be one of the most significant for the sector in some time.

Last month, POLITICO first [reported](#) that the Government was planning to increase the cost threshold that the National Institute for Health and Care Excellence (NICE) uses when determining whether a medicine offers good value-for-money.

Such a change would lead to the NHS spending more on drugs, a move which officials hope would stave off threats from the Trump administration of pharmaceutical tariffs.

POLITICO has since [reported](#) that US Trade Representative Jamieson Greer will visit London on 24 November, just two days before the Budget, with pharmaceuticals one of the top priorities in discussions.

Officials are keen for any pharma deal with the US to be determined ahead of the Budget, allowing the Chancellor to then detail how this would be funded.

Furthermore, the ABPI [extending](#) (to 16 December) the notice period for companies to indicate that they wish to leave the voluntary scheme for branded medicines pricing, access, and growth (VPAG) provides further credence to the idea that an announcement is imminent.

Considering all the above, one should expect an announcement on drug spending and the pharmaceutical industry in the Budget.

Industrial action and pay

The third key cost pressure is industrial action, with resident doctor strikes in both July and November straining NHS budgets further than expected.

With the Government's relationship with the British Medical Association (BMA) already strained, GMB has also [condemned](#) planned pay rises of 2.5% for workers it represents.

DHSC argued that this was all that could be afforded.

While *The Guardian* previously [reported](#) that the Treasury would not fund public sector pay rises beyond what departments could afford, it seems a breakthrough may be coming, at least with GMB, as POLITICO [reports](#) that the 2.5% "is just an opening foray in negotiations" and that "talks might get a little easier after the Budget".

As such, it seems that an announcement will be made on funding for NHS staff pay rises, at least in relation to those represented by GMB.

The question remains if any announcement will be made on supporting the NHS with the costs accrued from resident doctor strikes, or if further funding will be provided to avert future industrial action.

Waiting lists

As mentioned above, a recent DHSC press release highlighted that the Budget would focus on cutting waiting lists.

Although there has been little concrete information on what this will entail, the [repeated](#) mention of this priority indicates that a significant policy could be on the cards.

/ Home affairs and justice

By Amber Shaikh

What's speculated?

- Still struggling to reduce the asylum backlog and stem the flow of small boats, Home Secretary Shabana Mahmood will likely seek to save on accommodation for asylum seekers.
- The Government has launched a series of reviews into the criminal justice system. Rather than investing in increased prison capacity, it is likely to shift focus away from custodial sentences.
- The Home Office faces an uncertain future, with think tanks calling for it to be split into two separate departments. For the moment, it has set itself ambitious targets on ending VAWG and clearing the criminal courts backlog.
- Police reform will likely not be a major feature of the Budget, given the Police Reform White Paper expected later this year and the recent announcement to abolish Police and Crime Commissioners.

Asylum and immigration

Migration remains a high-profile policy area for the Home Office, with limited progress made so far in reducing the asylum backlog and stemming the flow of small boats. As BBC News [reported](#) at the time of her appointment, the recently appointed Home Secretary Shabana Mahmood has a reputation as a "hardliner on immigration."

Before Labour Party Conference, the Prime Minister [announced](#) free digital ID cards would be introduced to verify identity and residence status. Building on the newly established Border Security Command, the policy aims to make working illegally harder and act as a disincentive for illegal migrants.

Savings for the Home Office will likely have to come from spending on housing asylum seekers. The Home Affairs Committee has [claimed](#) the "failing" system costs taxpayers "billions of pounds", while the Chancellor [set](#) out plans at this year's Spending Review to end the use of asylum hotels by 2029.

Prisons and the criminal justice system

Despite "landmark sentencing reforms" [introduced](#) in May, and an emergency early release scheme [set](#) out in July, the UK's criminal justice system remains overwhelmed. Labour's Sentencing Bill [aims](#) to reduce reoffending and address the over-reliance on custody in an attempt to tackle the prison capacity crisis.

At the Spending Review, Rachel Reeves committed up to an extra £450 million a year to the courts system by 2028-29. The *Law Society Gazette* [reports](#) her claim that this commitment would help both "increase Crown Court sitting days to record levels" and implement the recommendations of Sir Brian Leveson's review of the criminal courts.

Few promises have been made ahead of this month's Budget, though the *Financial Times* has [reported](#) on the Treasury's promise that Rachel Reeves will not impose full employer NICs on legal LLPs, as had been speculated.

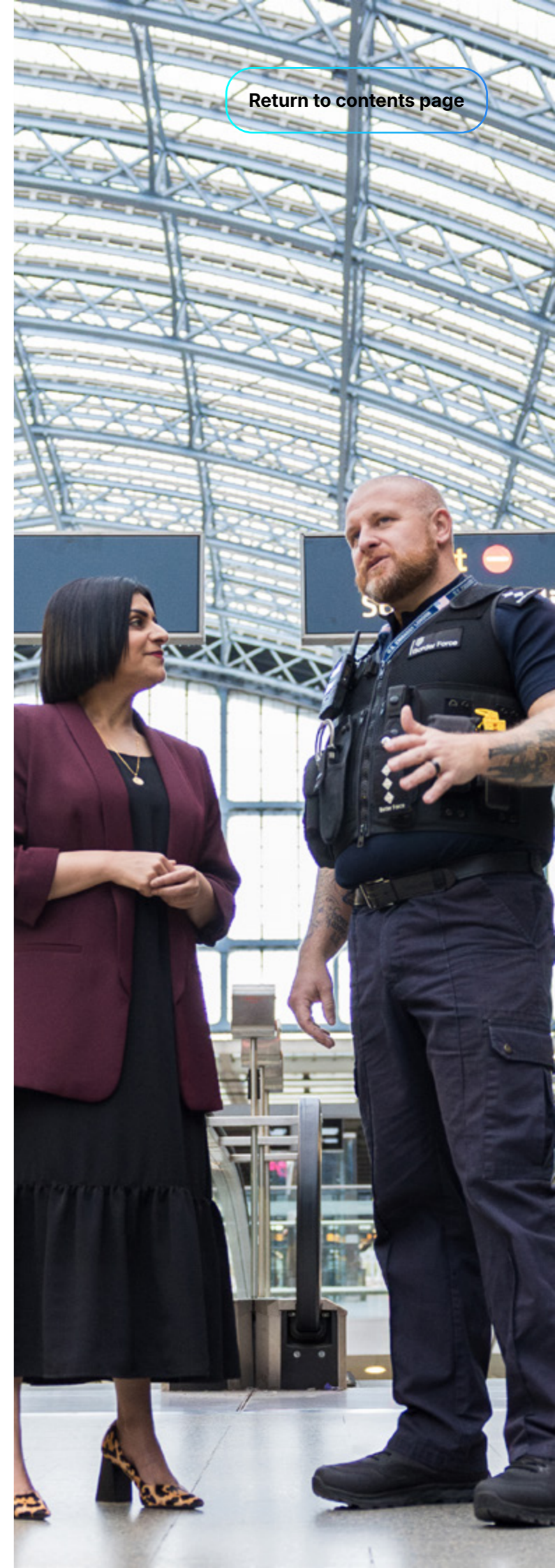
Crime and policing

The Home Secretary [announced](#) an ambitious programme of police reforms last year, focused on tracking police performance, rebuilding trust with local communities, and harnessing new technology. Delivering on these promises has, however, proved a challenge in light of fiscal constraints.

The Government's aim of halving violence against women and girls within a decade will, according to campaign organisation End Violence Against Women, [require](#) an "ambitious approach" that takes into account "myriad forms of men's violence".

Yet questions remain over how the Home Office will operate in the coming years. Shabana Mahmood [said](#) in an interview with the BBC in October that the Department is "not fit for purpose", while the Adam Smith Institute has [suggested](#) splitting it into two: one organisation to deal with crime, policing, and security; and another to oversee borders and immigration.

Police reform will likely not be a major focus of the Budget, given the Police Reform White Paper expected to be released later this year. Making a statement on the abolition of PCCs in early November, Minister for Policing and Crime Sarah Jones [said](#) the document will "drive quality, consistency, and efficiency in policing".



/ Housing and local government

By Michael Cameron

What's speculated?

- New property taxes seem highly likely, with the exact make-up and mechanism less clear. Options include increased council tax on upper-band properties, a dedicated "mansion tax" on expensive properties, or (albeit less likely) a radical reform to both stamp duty and council tax.
- Applying National Insurance to landlords' rental income could also be a revenue raiser for the Treasury.
- There will be a decision on social housing rent convergence, which will help determine how sustainable housing association finances will be over the coming rent settlement – the sector has called for a £2-3 a week convergence rate.
- With the Government already planning substantial reform to local government funding and finances, this Budget appears more likely to contain smaller interim measures.
- Mayors look set to gain some fiscal devolution, with the Chancellor expected to confirm powers to create an overnight visitor levy.

Property taxes

The Budget speculation started early in the housing space, with *The Guardian* [reporting](#) in August that the Chancellor was examining a radical overhaul of both stamp duty land tax and council tax. One proposal on the table was for a national property tax paid by sellers of properties worth over £500,000, with a separate local property tax – paid to councils – which would levy owners annually based on the value of their property.

At the time, *The Guardian* [noted](#) that this would be a long-term reform of property taxation, with changes to stamp duty land tax possible within this Parliament, but reforms to council tax likely stretching past the next general election. Given the urgent pressures on public finances, it seems plausible that the Chancellor is not going to pursue such a radical overhaul. Furthermore, speculation of these drastic reforms has not resurfaced since August.

What appears now more likely is that the Chancellor will amend existing council tax bands to levy higher rates on more expensive properties. *The Financial Times* [reported](#) at the end of October that changes to the top council tax bands could raise "low single-digit billions" for the Treasury. One option is to simply double the rates on the existing G and H bands; another is carry out a targeting revaluation of properties in these bands, with then a surcharge levied on properties above a certain value.

A more distinct "mansion tax" is also an option. *The i Paper* has [suggested](#) that it is possible that any property worth over a threshold – perhaps £2 million – would face additional 1% tax charge. This would mean that a £4 million property would face an annual tax charge of £20,000.

Furthermore, to mitigate the challenge posed by this for "asset rich, cash poor" households, *The i Paper* has [suggested](#) that a deferment scheme could be implemented, where households below a certain annual earnings threshold are allowed to defer the tax charge until the property is sold, the owner passes away, or a set period of time has passed. This would revive a policy proposal from Ed Balls when he was Shadow Chancellor in 2014.

Finally, a further option to reform property taxation would be to partly end the primary residence relief for capital gains tax. *The Guardian* [reported](#) in mid-November that the Treasury was considering changes to CGT on primary homes above a certain price band. Currently, capital gains tax is paid on non-primary residences at a rate of 24%.

How radical the Chancellor will be on property taxation remains to be seen. On the prospect of a full revaluation of homes in the council tax system, before the election, the FT notes that Rachel Reeves ruled this out, [saying](#) "it doesn't really matter whether I think it's sensible or not; is that where I'm going to put my political energy? No." Therefore, taken together, these changes would raise revenue for the Treasury, but the Chancellor risks pushback from older "asset-rich, cash-poor" homeowners.

National Insurance on landlord income

Alongside structural reforms to property taxation, the Chancellor may look to widen the scope of existing taxes to raise additional revenue. This could include the levying of National Insurance on landlords' rental income. *The Times* first [reported](#) in August that the Treasury was looking to target "unearned" income in the Budget, with the option to raise circa £2 billion by applying the 8% levy on rental income. Currently, this is only subject to income tax.

At the time, "allies of Reeves" [told](#) *The Times* that this change would not breach the Labour manifesto commitment to not increase income tax, National Insurance, or VAT because it was merely expanding the scope of tax, much like last year's application of VAT to private school fees.

Affordable housing

The story of this Budget is not likely to be affordable housing. The Spending Review set out the new Social and Affordable Homes Programme, which is the new £39 billion 10-year successor programme to the Affordable Homes Programme. In early November, the Government [set out](#) details of how the fund would operate, including the initial bidding process. It seems unlikely, therefore, that further funding will be announced at the Budget.

What will come, however, is result of the Government's [consultation](#) on social housing rent convergence. This would set out how existing social housing rents would be aligned with the "formula rent" as part of the 10-year social housing rent settlement. A convergence mechanism was previously in place between 2002 and 2015.

London Councils has [called](#) for a £3 a week rent convergence mechanism, which they argue will help bring "social rents to a consistent level at a faster pace and promote fairness between tenants". Furthermore, they argue that this would support council and housing association finances, with pressures forcing over £250 million of savings to be made within the next four years.

The National Housing Federation has echoed these calls, [suggesting](#) that only a £2 or £3 a week settlement would support housing associations to deliver the number of new homes which the Government wants to see. The NHF has found that implementing a £3 a week convergence would allow housing associations to raise a further £3.35 billion over 10 years.

Homelessness

Ministers are being encouraged to commit to further funding to tackle homelessness, given a "shocking" 20% rise in the past two years. Research by Crisis, and [reported](#) by *The Times* found that homelessness levels stood at 299,100 across England in 2024, which is a 21% increase since 2022, and a 45% increase since 2012.

Crisis suggests that these figures will require a "rapid response from Government", with Matt Downie, CEO, [urging](#) the Chancellor in *The Times* to uplift the local housing allowance, so that it "covers the true costs of rents".

Local government funding

Pressures on local government finance remain acute, with adult and children's social care, asylum, and homelessness all adding significant strain to authorities seeking to deliver their statutory services.

The Government is seeking to [remedy](#) this long-term through the fair funding review, with a consultation on changing the funding settlement formula for 2026-27 onwards closing in August 2025; the Government has yet to publish its response. So, this Budget is unlikely to bring news of significant structural reform but could seek to address the immediate funding pressures.

Could there be movement on fiscal devolution? In its Budget submission, the Local Government Association [says](#) that there is "a strong case for a local tourism levy" and the new Housing Secretary Steve Reed has signalled support. He [told](#) the Commons Housing Committee that he as "always been an advocate of devolution", including "fiscal devolution". Welcoming these comments, London Councils Chair Cllr Claire Holland [said](#) that "everyone knows the local government finance system is broken" with councils "almost entirely reliant on council tax and central Government funding streams, with very limited ability to shape our own financial destiny".

Indeed, *The Times* [reported](#) in November that the Chancellor has considered fiscal devolution and will confirm at the Budget that mayors in England will get the power to levy an overnight tourism tax. Amendments will be brought to the English Devolution and Community Empowerment Bill to enact the change.

Government will also be hoping that its programme of local government reorganisation will help to deliver more sustainable councils, albeit not in the immediate term. In October, the Government [confirmed](#) its plans for reorganisation in Surrey, with the clear explanation that two new unitary authorities would bring greater levels of financial stability. Furthermore, they confirmed a "significant and unprecedented" repayment-in-principle of £500 million of Woking Borough Council's debt pile.

Local government reorganisation as a means to drive financial stability will not deliver immediate relief, however. Aside from Surrey, it is [expected](#) that new unitary authorities will become operational on 1 April 2028 (including for both the devolution priority programme areas and the remaining 14 two-tier council areas).

Landfill tax and the housing market

Earlier in the year, the Government [consulted](#) on reforms to the Landfill Tax, which notably include plans to transition to a single rate by 2030. The Government could publish its response to this consultation – and its plans for Landfill Tax – at the Budget.

There are significant concerns in the construction industry that the proposals would see rates for most waste from housebuilding sites rise by 3,000%. The Home Builders Federation [estimates](#) that this would add around £15,000 per home and, in some cases, up £50,000, which no doubt would be passed onto the consumer.

This could harm an already fragile property market, with RICS [saying](#) in November that there has been a "notable cooling" in buyer demand and sales activity, with fears of changes in the Budget directly cited as reasons behind the slowdown.

The concern is, therefore, that increased Landfill Tax would act as a supply constraint at a time when boosting housebuilding remains a key Government objective.



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/ International development

By Jemba Valerio

What's speculated?

- Further ODA cuts remain possible, despite ministers signalling that they have no active plans.
- Core humanitarian funding to Sudan and Gaza is expected to be protected, but crisis-response budgets remain vulnerable.
- Contributions to multilateral organisations are likely to be cut, following a similar trajectory as the Global Fund.
- BBC World Service funding remains uncertain, with licence fee pressures and year-by-year FCDO support creating long-term sustainability concerns.

Potential further cuts

In February 2025, the Government committed to cutting the Official Development Assistance (ODA) budget from 0.5% of gross national income (GNI) to 0.3% in 2027. The Prime Minister [explained](#) that this was to “fully fund our increased investment in defence” and raise spending to 2.6% of gross domestic product (GDP) in 2027.

While nothing has been officially stated about further cuts, the possibility remains. During an International Development Committee session on the situation in Sudan, the Development Minister was unable to [commit](#) to the ODA budget not being cut further, following questioning from the Liberal Democrat spokesperson for International Development Monica Harding.

Although Baroness Chapman said she had seen “no signals that [more cuts] is the intention”, she added that “I do not write the Budget, and the Chancellor has a very difficult job on her hands to make things add up.”

This indicates that, while further cuts may not be the most likely route Rachel Reeves takes at the Budget, the possibility remains – and MPs are not confident that the ODA budget will be spared.

Core funding vs crisis funding

Speaking at the same committee session, Baroness Chapman has repeatedly [stressed](#) that core funding for humanitarian crises such as Sudan and Gaza “will be protected” and not cut. Crisis funding, however, has not been guaranteed and accounted for the 18% and 23% reductions in funding for Sudan and South Sudan respectively.

This suggests that the Budget will include ring-fenced funding for key areas but with reduced flexibility when an increase might be required. While core funding will be protected, crisis funding will not be.

Reduced multilateral funding

With a reduced budget, Baroness Chapman has been frank about the need for cuts. One area she has [discussed](#) is reducing contributions to multilateral organisations in an effort to preserve bilateral programmes that are currently mid-contract.

Cuts to multilateral funding also fit with her desire to [support](#) a “partnership” model of development that relies less on a charitable structure and more on capacity-building and working with countries in need — an approach that costs less money.

This approach to funding can already be seen in the recent 2026–2028 funding announcement for the Global Fund to Fight AIDS, Tuberculosis, and Malaria (the Global Fund). The FCDO has [committed](#) to invest £850 million in the Eighth Replenishment of the Global Fund – down from £1 billion at the last replenishment.

Baroness Chapman also highlighted that the UK is now co-hosting the Global Fund with South Africa, describing it as a “truly modern development partnership”. This is a clear indication of the FCDO’s direction of travel and where future spending may fall.

Funding for the BBC World Service

The BBC World Service is currently funded via the licence fee, with an additional uplift from the FCDO. The future funding of the BBC World Service has been a key area of [concern](#) across the International Development, Foreign Affairs, and Culture, Media and Sport Committees, as income from the BBC licence fee falls and budget cuts affect the FCDO.

Currently, FCDO funding is provided on a year-by-year basis rather than through a multi-year settlement. BBC Chair Samir Shah [confirmed](#) that the public service broadcaster has requested £165 million in 2026/27 and £168 million in 2027/28 from the FCDO.

The Guardian [reported](#) that BBC bosses have been lobbying the Government to use the UK’s increased defence budget to fund the World Service, citing its role in combating mis- and disinformation globally.

Another possibility is that FCDO funding for the BBC World Service does not increase but instead remains flat – representing a real-terms cut – which is a risk the Chairs of the aforementioned Committees have warned against.



/ Tech and digital

By Georgie Cottell

What's speculated?

- The Budget represents a critical inflection point for the UK's technology sector. With the digital economy [contributing](#) approximately £286 billion (13% of GDP) and employing 2.9 million people, the sector's asks are notably modest: prioritising tax stability over new spending. However, rumoured tax increases threaten to undermine confidence precisely when the Government needs the sector to deliver on its growth agenda.
- Proposed changes to LLP NICs, Capital Gains tax, and potential 'exit on unrealised gains taxes' – though this seems to have been kicked to the curb following [backlash](#) from UK start-ups – could trigger an exodus of listings and investments.
- Low-cost regulatory reforms, particularly implementing the Critical Third Party regime for cloud providers or further innovation sandboxes, could demonstrate delivery without new fiscal commitments.
- Given fiscal constraints, most funding requests will probably be recast as consultations, pilots, or green papers.

Tax changes with industry impact

Industry submissions reflect the fiscal reality of this Budget: rather than requesting significant new funding, major bodies including [techUK](#) and the [Startup Coalition](#) are calling primarily for tax stability and consistent regulatory delivery.

Further increases beyond recent changes to capital gains tax, combined with reduced business asset disposal relief generosity, have already pushed founders to question whether they should remain in the UK.

The reported 20% "exit tax" on unrealised gains for emigrating individuals is viewed as the most dangerous proposal. A joint letter from major UK start-ups has [urged](#) the Chancellor to avoid this measure, warning it would deter entrepreneurship and drive liquidity events overseas. The Chancellor has seemingly listened, with the exit tax being quietly shelved, for now at least.

The sector is [pushing](#) strongly for differentiation in the tax code between venture capital and private equity. Treating VC like private equity ignores fundamental structural differences and risks driving activity to competitor jurisdictions.

UK tech scale-ups take roughly twice as long as US counterparts to reach £100 million in revenue. Any measures that worsen this gap – through tax uncertainty or reduced incentives for founder equity – will be judged as failures regardless of other Budget content.

Cyber resilience

Cyber security has rapidly escalated to a top priority across industries and Government. The Association of British Insurers [reported](#) that malware and ransomware accounted for more than half of all insurance claims in 2024, up from 32% in 2023, reflecting increasingly sophisticated digital threats.

The economic stakes are now impossible to ignore. Hackers whose cyber attack halted production at Jaguar Land Rover in recent months have "single-handedly" caused a fall in GDP. Sky News [suggests](#) that were it not for the 28.6% fall in car production in September, the UK economy would have grown by 0.1% that month – instead, it fell by 0.1%.

On the legislative front, almost 15 months after the former Technology Secretary Peter Kyle said he was prioritising the legislation, the Cyber Security and Resilience (Network and Information Systems) Bill finally [materialised](#) in early November. DSIT [outlined](#) the aims of the Bill in a statement back in April. It will bring more services in scope of existing NIS regulations, including "managed services providers" and "critical suppliers" to public services.

Against this backdrop, industry is [calling](#) for the Government to target the equivalent of at least 1% of GDP annually on digital and cyber resilience by 2035 alongside investing in undersea cable maintenance capabilities. techUK is also pushing for tax and grant credits to incentivise investment, particularly SME investment, in cyber resilience and other security measures.

Potential low-cost wins

CTP Regime

One of the biggest open questions for the fintech sector concerns the Critical Third Party regime, which has been legislated for over a year but remains unenacted. This would bring major cloud and data providers (primarily US hyperscalers) under Bank of England, PRA, and FCA supervision.

The Treasury has resisted designating large tech firms, caught between the risk of antagonising Washington and undermining its own growth narrative. However, recent AWS outages and intensive lobbying from financial services – united with [support](#) from TheCityUK and Parliament – have built significant pressure for movement.

A fiscal dimension now looms alongside political considerations. Regulators may require additional funding to enforce supervision, and these costs are reportedly being weighed ahead of the Budget. Economic Secretary Lucy Rigby avoided committing to timelines when [questioned](#) by the Treasury Committee earlier this month, suggesting internal deliberations continue.

Even signalling a timeline for the designation process would demonstrate delivery and address a cross-sector priority without requiring immediate spending.

Procurement and structural reforms

Several measures could be signalled within existing frameworks, particularly through AI Growth Labs, without new funding:

- Tech-first procurement with modular contracts to open public tenders to SMEs

- Updated SIC codes for better data collection and policymaking
- Extended innovation sandboxes
- Enterprise Management Incentive reforms to reflect modern growth-oriented firms

These proposals, whilst not materially impactful individually, would signal that Government understands the sector's structural barriers and is committed to addressing them.

Energy intensive industries relief

Data centres and digital infrastructure providers are lobbying to extend EII relief to reduce energy costs, framed as supporting AI infrastructure.

This would be viewed as taxpayers subsidising big tech's energy bills, creating difficult optics even if folded into broader energy reforms, so the Treasury would have to tread carefully.

Spending requests likely to be deferred

Given fiscal constraints, most funding requests will probably be recast as consultations, pilots, or green papers:

- National Data Library (stalled despite AI Opportunities Action Plan [commitment](#), see DeHavilland's summary of the plan [here](#).)
- AI adoption incentives for SMEs (£200-300 million for full national scheme)
- Tech £200 million undersea cable resilience fund
- Additional Innovate UK funding and HEIF-style support for applied research institutes
- 'Learn-to-Earn' Junior ISA scheme (£45 million annually by year three)

Past patterns and the fiscal reality in suggest the Treasury will favour announcements that create forward momentum without immediate fiscal impact.

This Budget will be judged on whether it can deliver any progress that makes scaling faster, whilst avoiding measures that drive listings and investment overseas.

/ Transport

By Tom Lytle

What's speculated?

- It appears that it will be a difficult Budget for many motorists, who are likely to see several tax rises.
- Chief among them is rumours of plans to scrap the 5p cut in fuel duty that was introduced in 2022 following the global oil price spike. It is said this decision has been reached amid concerns that the cut is not being passed onto consumers, with the policy believed to be costing the Treasury £3 billion a year.
- Perhaps more controversially, there are also reports that the Chancellor will introduce a new 3p per mile charge on drivers of electric vehicles at the Budget.
- The move would eliminate significant savings that EV drivers can make and has been criticised by leading trade body the SMMT as "entirely the wrong measure at the wrong time".
- Taxi operators are also in the firing line, with reports that the Chancellor is considering levying VAT on all private hire vehicles.
- Meanwhile the Chancellor is also set to limit the number of eligible bikes under the Government's Cycle to Work scheme.

Fuel duty relief

The Chancellor is said to be drawing up plans to scrap the 5p cut in fuel duty amid concerns this is not being passed onto drivers. *The Times reports* that this is being considered amid concerns that the cost of the freeze to fuel duty is costing the exchequer £3 billion a year.

First introduced in 2022 after the fuel spike following the Russian invasion of Ukraine, the measure was brought in to provide support to drivers. However, with petrol and diesel prices broadly in line with where they were four years ago, the Chancellor is said to be considering scrapping the support scheme.

There are concerns however that such a move will reignite concerns about the Government waging a war on drivers, despite CMA evidence suggesting that margins for both supermarkets and retailers were well above pre-2022 levels.

Pay-per-mile

The Telegraph has [claimed](#) that the Chancellor will introduce a new 3p per mile charge on drivers of electric vehicles at the Budget this month. It is understood the scheme, which is set to come into effect in 2028 following a consultation, will see the average EV driver paying an extra £250 a year.

The Chancellor believes the tax would be a fair measure given that drivers of petrol cars currently pay an average of £600 a year on average in fuel duty.

It is believed the scheme would be different from traditional pay-per-mile schemes, with a fee taken each year on estimated travel. The scheme would instead be aligned to the annual payment of vehicle excise duty, which EV drivers have had to pay since April.

EV drivers will reportedly be asked to estimate the number of miles they will drive in the year ahead and pay a fee of 3p per mile. If drivers exceed this limit, they would pay a top up amount, while they would be eligible or a rebate if they driver fewer miles.

The SMMT has [said](#) that while it recognises the need for a new approach to motoring taxes, "this would be entirely the wrong measure at the wrong time". It added this risked "detering consumers and further undermining industry's ability to meet ZEV mandate targets" and would cause substantial harm to the UK's automotive industry.

The Financial Times reports that that "car industry executives have lashed out" at the proposed changes. The CEO of Volvo Cars said the plans were "definitely bad", while the head of policy at Octopus said that "introducing a charge now would stifle the growth we've seen over the past years, and be self-defeating".

The Times has since [reported](#) that van drivers are likely to avoid the new tax, with a source indicating electric vans are not "in scope".

VAT on taxis

Taxi firms including Bolt and Uber have warned that the cost of their services could increase by more than 15% if the Chancellor goes ahead with plans to levy VAT on all private hire vehicles at the Budget.

The Times reports that executives from the three biggest ride-hailing apps in the UK have written to the Chancellor to urge her not to follow through on the rumoured plans.

Private hire operators do not pay VAT as the drivers are classed as independent, self-employed contractors. However, the High Court ruled that taxi firms did hold contracts with passengers and would leave them liable for VAT.

Cycle to Work scheme

The Chancellor is set to limit the number of eligible bikes under the Government's Cycle to Work scheme as part of cuts at the Budget. *The Financial Times reports* that a new cap on how much people can spend on the scheme is set to be introduced.

The initial scheme had an upper limit of £1,000, however this was scrapped in 2019 to allow for the purchase of even more expensive bikes. The tax-free benefit was introduced by the Labour Government in 1999 and allows employees to purchase a bike and accessories with an interest and tax-free loan from their employer.

A Government source said the scheme "should be about helping ordinary commuters switch to greener travel, not giving tax breaks to high earners buying £4,000 e-bikes for weekend rides in the Surrey Hills", adding that "taxpayers shouldn't be footing the bill for luxury leisure".

The scheme cost HMRC £130 million in the last fiscal year, up from £55 million in 2019-20. Retailers have previously acknowledged that some were exploiting the scheme to purchase high-end bikes, with calls for a "sensible level" to be imposed. However, others have warned these changes may discourage more environmentally friendly forms of travel.

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