



## Autumn Budget 2025 - MP briefing

For 80 years Citizens Advice has helped people who've fallen on hard times get back on their feet. We've always been here for everyone - whoever they are, whatever their problem. Our experience and expertise equips people to navigate an increasingly complex and challenging world.

But the last few years have seen **unprecedented demands being placed on our service, with millions of households struggling with a sustained squeeze on living standards.**

**200,000 people seek our help each month with cost of living essentials.** Over half the people we help with debt advice are still in a negative budget, where their income isn't enough to cover their costs, even after expert advice. Our data shows that private renters and people with children are some of the most likely to face a negative budget.

On 26 November 2025, **the Chancellor has the opportunity to step in and help alleviate some of this hardship.**

**We're calling on the government to immediately commit to three things in the Autumn Budget:**

### 1 Uprate Local Housing Allowance in line with 30th percentile of local market rent

Housing is consistently one of the top issues our advisers support people with. We are supporting record numbers of people with homelessness and seeing a steep increase in the number of people coming to us for support with temporary accommodation.

Local Housing Allowance (LHA) has been reformed significantly since it was introduced in 2008. The highest-profile reforms have been to how the level of LHA has been set.

Before April 2011, LHA was based on median rents of properties of the same size in each local area. The median (or 50th percentile) rent is the value at which half of rents are higher, and half of rents are lower. In April 2011, the level of LHA was reduced to the 30th percentile, so LHA would cover only the lower 30% of rents in each area. This move simultaneously reduced the housing options available to potential tenants and increased the likelihood that renters would have to 'top-up' their housing benefit payments (including

the housing element of universal credit) from other income, thus creating a shortfall elsewhere. This is evidenced by the rise in the number of households claiming from their local authorities the Discretionary Housing Payments which are themselves due to be abolished at the end of this financial year.

Since April 2012, there has been no automatic link between LHA levels and changing local rental prices. Instead, different uprating decisions have been made periodically, with no statutory or customary default.

To address housing unaffordability, Local Housing Allowance (LHA) must be uprated in line with the intended policy design, i.e. linked to the 30th percentile of local rent costs - and the government must make this link permanent so that LHA is uprated each year. LHA was last uprated in April 2024, but the benefits have been short lived. The average monthly deficit for our debt clients, on UC and living in the private rented sector, fell from £69.01 in the fourth quarter of 2023/24 to £44.47 by the second quarter of 2024/25. But since then, deficits have steadily increased again; in the first quarter of 2025/2026, the average monthly deficit for this group was £66.04. This is in part because average rents have risen by 13% since the current LHA rates were determined in September 2023.

## **2 Scrap the two-child limit and benefit cap**

The resounding message from our work for the Child Poverty Taskforce, and from our own data, is that scrapping the two-child limit and the Benefit Cap must be an urgent priority for the government this Autumn. These policies are among the biggest drivers of child poverty in the UK, and reversing them would be the most efficient way to lower child poverty levels. They arbitrarily reduce the money received by low-income families, disproportionately impacting children and, as a result, driving higher levels of child poverty. The design of the two-child limit means that it will continue to drive higher rates of child poverty, pushing a further 670,000 children into poverty by the end of this parliament. If the government is serious about its commitment to reduce child poverty, it must scrap these two policies.

## **3 Ensure low income families can cover essential utility bills**

This April, households faced unprecedented rises in their water bills, with an average annual increase of £123. Almost one in five (19%) bill payers struggled to afford their water bills in the last year. Nearly half (48%) of low income households are worried about being able to afford to pay their energy bills this coming winter.

A targeted way to ease the pressure is through social tariffs and bill discounts, which cut costs for low-income households. We welcome changes to the Warm Home Discount which will help almost 3 million more households this winter and is an important step towards developing support that meets the scale of the challenge our clients face. Similar ambition is urgently needed in water, where bills are set to keep rising for the next four years.

The government must consult on a national water social tariff this Autumn to replace this existing postcode lottery of support. There is a need to completely reform how support is delivered to improve low levels of uptake through better automation and data-sharing and, critically, making sure the level of support is generous enough to stop more people being pushed into poverty because of rising bills. To ensure this scheme is effective in shielding low-income households from rising bills and to manage the transition from the current system of support into the new system, it is essential that the government ensures that there is enough funding in the pot.