

Parish HR Support Service

Autumn Budget 2025 - A HR Perspective





Contents

- National Minimum Wage changes
- Frozen Tax Thresholds
- National Insurance
- Student Loans
- Pension Salary Sacrifice
- Apprenticeships
- Employment Rights Bill update
- HR Support for Parishes

National Minimum Wage changes

Please note that the Diocese has a policy, that where possible all employees are paid the Real Living Wage which will be £13.45 per hour in the UK (£14.80 in London).

The Real Living Wage is different to the government's statutory minimum wage rate and is a higher, voluntary rate that is independently calculated based solely on what is needed to cover living costs, including everyday household costs such as rent and energy bills, childcare and transport, as well as items like a warm winter coat for children, or savings for a financial emergency like a broken boiler. It applies to all workers over the age of 18, compared to the Government's minimum wage being the legal minimum businesses are required to pay by law, depending on age.

A full-time worker earning the new, real Living Wage would earn £2,418 a year more than a worker earning the current government minimum. In London, a full-time worker on the new real Living Wage rate would earn an additional £5,050 a year compared to a worker on the current NLW.

One thing to note is that if you are paying employees at the National Living/Minimum Wage, and they regularly work overtime, for which they receive time off in lieu (rather than being paid overtime), that they must take that time off in lieu within the pay period that they worked the overtime. For example, if your employee is paid weekly and their contracted hours are 20 per week, then any TOIL must be taken within the week it is earned. If they are paid monthly, then their total monthly hours should not exceed their contractual monthly hours.

Category	April 2025 - March 2026	April 2026 - March 2027	% Increase
National Living Wage (21+)	£12.21	£12.71	4.1%
18-20 Year Old Rate	£10	£10.85	8.5%
16-17 Year Old Rate	£7.55	£8	6%
Apprentice Rate	£7.55	£8	6%
Accommodation Offset	£10.66	£11.10	4.1%
Real Living Wage	£12.60 (£13.85 London)	£13.45 (£14.80 London)	6.3% (6.4% London)

The Budget confirmed a freeze on income tax thresholds for another three years from 2028, continuing a freeze implemented by the previous Government and which had originally been frozen until 2028, but will now be 2031.

Freezing thresholds brings lower-paid workers into higher tax brackets as their pay increases.

The same thing is happening with those who currently earn below the higher or additional income tax threshold, as this is also being frozen, which means that a lot of earners will now be in the 40 or 45% tax bracket, when they weren't before.

A simple calculation to show how this impacts staff salaries where they are now going to fall under the 20% tax bracket, when they didn't before. Let's take a part time employee who works 19.5 hours per week:

- At the current National Living wage of £12.21 per hour, 19.5 hours per week is a gross salary of £12,380.94. As this falls below the current threshold of £12,570, no tax is due so the net pay (after income tax only) is £12,380.94.
- At the new National Living Wage of £12.71 per hour, 19.5 hours per week is a gross salary of £12,887.94. As they are now earning higher than the tax free threshold, they will now pay income of £63.59 for the year, which means that the net pay (after income tax only) would be 12824.35, so where the increase in National Living wage is 4.1%, this in effect only increases the employees net pay by 3.5%.

While the increases in Income tax may seem minimal for the next 12 months, between now and 2031, as wages increase due to the usual salary reviews, more people will be dragged into the different income tax brackets.

Freezing Income Tax Threshold



National Insurance Threshold Freeze



The Budget also confirmed a freeze on national insurance thresholds for another three years from 2028, to 2031.

For example, if your employees are in Category A for National Insurance, then they won't pay National Insurance until their earnings are above £242.01 per week (£12,584.52 per year), at which point they will pay 8% on earnings above this figure.

A simple calculation to show how this impacts staff salaries and also employer national insurance contributions, where they are now going to fall under the 8% NI bracket, when they didn't before.

Let's again take a part time employee who works 19.5 hours per week:

- At the current National Living Wage of £12.21 per hour, 19.5 hours per week is a gross salary of £12,380.94. As this falls below the current threshold of £12,584.52, no NI is due, so the net pay (after NI only) is £12,380.94.
- At the new National Living Wage of £12.71 per hour, 19.5 hours per week is a gross salary of £12,887.94. As they are now earning higher than the NI-free threshold, they will now pay NI of 8%, which is £24.27 for the year, which means that the net pay (after national insurance only) would be £12,863.67.

From an employer NI perspective, this will mostly affect you where you have employees who currently earn below £5000 per year, which is the threshold for employer contributions. Where the National Living/Minimum wage increase, takes your employees earnings over £5000 per year, then you will need to start paying 15% on the difference between the new salary and the threshold.

While the increases in National Insurance may seem minimal for the next 12 months, between now and 2031, as wages increase due to the usual salary reviews, more people will be dragged into the different National Insurance brackets.

Student loans threshold freeze

Plan type	Yearly income threshold	Monthly income threshold	Weekly income threshold
Plan 1	£26,065	£2,172	£501
Plan 2	£28,470	£2,372	£547
Plan 4	£32,745	£2,728	£629
Plan 5	£25,000	£2,083	£480
Postgraduate Loan	£21,000	£1,750	£403

The Budget announced a freeze to the repayments and interest rate thresholds for Plan 2 student loan repayments for three years. Below are the current thresholds for the 2025/26 tax year. From April 2026 the earnings threshold for student loans, plan 2 will increase to £29,385, and then be frozen for 3 years until the 2029/30 tax year.

The effect on students, is that as they leave university and take on work which is paid at low rates, including the National Living/Minimum wage, they are more likely to reach these thresholds than before, which means paying back their student loan earlier than ever before.

Pensions Salary Sacrifice

The Budget announced that from April 2029, salary-sacrificed pension contributions above an annual £2,000 threshold will no longer be exempt from National Insurance.

Employers and employees can still make contributions above £2,000 through salary sacrifice arrangements. However, employee contributions above this amount will be subject to employer and employee NICs like other employee workplace pension contributions.

The current limit is £60,000 per year which is inclusive of employee pension, employer pension, any third-party contributions, as well as any tax relief paid into the pension.

The Pension contributions will still be exempt from Income Tax, as this only affects National Insurance.



Apprenticeship Funding

In the Budget, the Chancellor confirmed that training costs for apprentices under 25 will be fully funded for Small to Medium Enterprises from 2026 and removes the remaining 5% contribution currently paid by employers.

This initiative sits within the new Youth Guarantee programme, backed by an additional £820 million over three years, designed to boost employment for young people in the face of the country's emerging employment skills gaps.

No detailed information has been released about how this will work in practice as yet but will be announced before April 2026.



Employment Rights Bill (Make work pay plan)

Following my communication in September 2025 about the Employment Rights Bill and the projected changes that may be made as part of Labour’s “Make work pay” plan, the bill is still going through Parliament and is likely to be subject to some changes and amendments to the proposals. It is hoped that this will be concluded by the end of 2025 and Royal Assent received.

Here is a timeline of when the changes are planned, however the final details of these will not be known until after Royal Assent has been given:

At Royal Assent or soon afterwards – Imminent

- Trade unions: Repeal the Strikes (Minimum Service Levels) Act 2023
- Repeal the majority of Trade Union Act 2016
- Protections against dismissal for taking industrial action
- Removal of the ten-year ballot requirement for trade union political funds
- Simplifying industrial action notices and industrial action ballot notices.

Employment Rights Bill (Make work pay plan)

April 2026

- Simplifying trade union recognition process
- Electronic and workplace balloting
- Statutory Sick Pay (SSP) from day one of sickness and start of employment
- Remove Lower Earnings Limit (LEL)
- Maximum period of collective redundancy protective award doubled to 180 days
- Paternity leave becomes a day-one right
- Unpaid parental leave becomes a day-one right
- Whistleblowing (measures not specified in roadmap, however, reports of sexual harassment will become protected disclosures under clause 22 of the ERB)
- Establishment of the Fair Work Agency (FWA)
- Voluntary gender pay gap and menopause action plan publication

Employment Rights Bill (Make work pay plan)

October 2026

- Duty to inform workers of their right to join a trade union
- Strengthen trade unions' rights of access
- New rights and protections for trade union reps
- Extending protections against detriments for taking industrial action
- Restrict use of fire and rehire
- Extending the time limit to bring tribunal claims from three months to six months
- Fair pay agreement adult social care negotiating body
- Tipping
- Requirement for employers to take all reasonable steps to prevent sexual harassment
- New provision requiring employers to not permit harassment from a third party (such as a client or customer)

Employment Rights Bill (Make work pay plan)

2027

- Strengthening protections against blacklisting
- Collective redundancy – collective consultation threshold (new test)
- Introduction of a power to enable regulations to specify steps that are to be regarded as "reasonable", to determine whether an employer has taken all reasonable steps to prevent sexual harassment
- Change the two-year unfair dismissal qualifying period to a six-month period
- Give zero-hours and 'low-hours' workers a right to a guaranteed hours contract which reflect the hours they regularly work
- Make flexible working a default day-one right (apart from when it is not reasonably feasible)
- Gender pay gap and menopause action plan publication to become mandatory
- Making it unlawful to dismiss a woman, while pregnant, on maternity leave and within six months of returning to work (with some exceptions)
- Introduction of a day-one right to at least one week of bereavement leave for employees
- Industrial relations framework
- Regulation of umbrella companies

Parish HR Support Service

As always, I am here to support you with any HR issues that you have, even the little queries where you just need clarification on something. I am always seeking to improve the HR Service that I provide to you.

It would be really helpful, if you could spare a few minutes to complete a short anonymous questionnaire about your views on the service that I currently provide, and any additional HR support that you need, that I currently don't provide.

The link to the questionnaire is <https://forms.office.com/e/M5fzYEhtiY>

Quick links to the Parish HR Support website:

- [Parish HR Support Service Landing Page](#)
 - ['Recruitment & Selection'](#)
 - ['New Employees'](#)
 - ['During Employment'](#)
 - ['Leavers'](#)
 - ['Data Retention'](#)
 - ['Employment Law Updates'](#)
 - ['Current & Recent Law Changes'](#)
 - ['Employment Law Changes in the next year'](#)
 - ['Employment Law Changes 1 year +'](#)
 - ['E-learning for Parish staff & Volunteers'](#)

My contact details:

Simone Smith
Diocesan HR Manager



ParishHR@Coventry.Anglican.org



02476 521381