Autumn Budget 2026 - Key Measures

Briefing for CIAT members and affiliates

02 November 2026

1. On Wednesday 28 November, the Chancellor John Healey delivered his first budget, following the change of UK Prime Minister this summer.

2. The Chancellor framed his budget as "breathing space for today, fresh hope for tomorrow". His ambition being to provide a series of smaller measures which would support UK households and businesses in the short term, while setting a direction for wider structural reforms, which will be fleshed out further in an upcoming 10-year-plan (expected before Christmas) and comprehensive spending review (due in the new year).

3. Although it contained nearly 100 different policy measures, these were largely quite limited in scope and scale. This reflects the limitations of a challenging global financial outlook and the Labour manifesto's commitments not to raise the most significant taxes. As such, if this budget is remembered at all, it will be for the long-term direction it set, more than for the specific measures outlined.

Economic outlook

4. The UK had the joint-fastest growth of any G7 nation in the first half of 2026, but the war in Iran and other global factors have put sustained pressure on the UK economy, with **inflation forecast to reach 3.8% in Q1 2027, before falling to 2% by 2028**. Growth is forecast to slow to 1.0% in 2027, before rising to 1.6% in 2028, 1.8% in 2029, 1.7% in 2030 and 1.6% in 2031. Unemployment is forecast to rise to 5.1% in Q2 2027 before falling to 4.1% by the end of the forecast period.

5. Government borrowing has fallen from over 2% of GDP in 2024/25 to around 1% in 2026/27. A surplus is forecast from 2028/29 (for the first time since 2001/2). Total government debt measures are expected to peak around 2028/29, before starting to fall.

6. Borrowing costs for government debt are forecast to rise, resulting in an extra £14 billion per year in debt interest compared to the March forecast. This has resulted in a **halving of the Chancellor's "fiscal headroom"**, to around £12.5 billion before the policy changes in the budget. The net effect of the changes announced increases this headroom by a £2 billion, to £14.5 billion.

7. The Chancellor has argued that the purpose of headroom is to adsorb shocks (such as higher borrowing costs) without necessitating spending cuts or tax increases; he hopes that an improved global outlook will give him more space to manoeuvre in future. However, a reduction in headroom now means there is less leeway to adsorb further shocks in future (for example, if sustained global energy price inflation); as such, this is something of a gamble that things are more likely to get better than get worse.

8. It should also be noted that **future spending increases have also been pencilled in**, such as fully funding the Defence Investment Plan and spending 3% of GDP on defence by 2030, as a step towards meeting the NATO target of 3.5% by 2035. This means that, **absent significant economic growth, which is not expected, further spending cuts will be needed** in future budgets.

Financial devolution

9. The most significant announcements in the budget were structural, rather than tax and spend changes.

10. From 2028, **Mayoral Strategic Authorities will retain 20% of business rates, with local and regional government retaining 100% of business rates income by the end of the decade.** More details of this plan, alongside powers for an overnight visitor levy and some retention of income taxes, will be outlined in the spending review. The first wave of new Mayoral Strategic Authority (MSA) Business Rates Retention Zones will be in Greater Manchester, East Midlands, Hull and East Yorkshire, Liverpool City Region, Tees Valley, West of England, North East, and York and North Yorkshire Strategic Authorities and the Greater London Authority.

11. **Good Growth Funds, to a total of £165 million for 2027, will be rolled out to Mayoralties** alongside fiscal devolution, with a further £120 million will be allocated to areas transitioning towards a devolution deal or strategic authority status. A borrowing facility of £15 billion will be established for Mayoral Strategic Authorities.

12. This fiscal devolution will result in significantly more powerful local government, with greater capacity to invest, for example in local infrastructure projects. Any decisions on equivalent devolution outside England rest with devolved governments.

Tax changes

13. This budget delivered relatively little in terms of major tax changes. Personal tax rates are unchanged, but tax thresholds also remain frozen, meaning that inflation will continue to result in "fiscal drag" whereby more people see more of their income taxed at higher rates. Meanwhile, the headline **corporation tax rate will remain at 25%,** with the "full expensing" regime maintained.

14. There are **changes to various allowances, however, mainly targeting smaller business**. The main rate of **writing down allowances** will be reduced by 2 percentage points to 12% from April 2027, while the main rate First Year Allowance (FYA) will be increased from 40% to 50%. A **new Capital Gains Tax Founders' Relief** will be introduced from April 2027, offering a reduced 10% Capital Gains Tax rate on up to £10 million of lifetime gains, while the Trading Allowance will be increased from £1,000 to £3,000, to support people starting small businesses.

15. There are also specific tax breaks for retail, hospitality and leisure sectors, as the Government aims to support thriving high streets. While these will be of limited direct relevance to members, they may support more retail, hospitality and leisure businesses to grow, potentially resulting in more demand for new premises, retrofits and redevelopment.

16. Planned **increases in fuel duty have been cancelled**, meaning that 16-year freeze to this tax remains in place (and, as government shifts to taxing EV miles, it is possible this tax will never rise). The **55p per mile tax free mileage rate** (which applies to the first 10,000 business miles for cars and vans) will be made permanent and the mileage rate beyond 10,000 miles will be increased from 25p to 35p. Government is also taking steps to reduce the costs for EV users who charge at local, low-powered charge points (which might be used for charging overnight when a resident does not have a private drive or garage).

17. For landlords, **income tax rates on property income will increase by 2 percentage points** from April 2027, on top of the 2 percentage point increase announced in the 2025 budget.

This means that from 2027 to 2028, the basic rate will be 24%, the higher rate 44% and the additional rate 49%

18. Government has announced plans to simply parts of the tax system, including a "targeted, evidence-led programme" to simplify Corporation Tax, modernise the existing Payments on Account system for Income Tax Self-Assessment (ITSA) and setting out an implementation roadmap for requiring VAT e-invoicing from April 2029. Government has also announced it will close a loophole which allows overseas businesses to sell services to some UK businesses without accounting for UK VAT.

Investment

19. Government has announced a further **£20.4 bn investment into the National Wealth Fund and the British Business Bank** (amounting to around a 10% increase in funding). The National Wealth Fund will work with the Office for Investment to deliver the "Strategic Sites Accelerator" to support reindustrialisation, while the British Business Bank will use new funding to support businesses to start and scale in the UK and into overseas markets.

20. A new Better Regulation Executive will be established to drive forward a streamlined and proportionate regulatory system that better enables growth, investment and innovation. Planned reforms, including to the company reporting framework and to home buying and selling, are expected to deliver £640 million of gross savings per year for businesses.

21. From March 2027, a new **National Procurement Policy Statement will prioritise delivery of high-quality jobs, fair pay and skills opportunities**, including pathways for young people. This will include a new definition for a 'UK supplier', and prioritise jobs and skills in local communities, building on recent guidance on social value.

22. As a result of decisions at Budget 2026, the Scottish Government will receive an additional £600 million Total Departmental Expenditure through the application of the Barnett formula, Welsh Government will receive an additional £450 million and the Northern Ireland Executive will receive an additional £270 million.

Infrastructure

23. The budget announced measures to accelerate infrastructure delivery, including launching a review into rail infrastructure costs, and legislating to "reduce the risk that that legal challenges leave essential projects in limbo" and repeal unnecessary duties to consult.

24. A revised **Infrastructure Pipeline, to be published later this year, will set out over £750 billion of planned investment over 10 years.** Specific plans include further support for Northern Powerhouse Rail, £300 million for the Leeds Existing Station Programme, set to be delivered by 2030, £20 million to support the redevelopment of the Littlewoods site in Liverpool into a 260,000 square foot creative campus and piloting a new financing model for the Greater Cambridge Development Corporation, to support land assembly and investment for East West Rail. Outside England, the budget confirmed investments including £24 million in the Edinburgh-Glasgow Central Belt; £30 million for Cardiff Parkway railway station; and £7.5 million in Belfast's cutting-edge Cyber AI capabilities.

25. A new "data centre covenant" has been published, with data centres which are seeking enhanced government support required to cover any energy costs they create, invest in local communities, meet environmental standards, create jobs and support UK supply chains, in return for favourable access to grid connections.

Housing

26. As part of continued efforts to increase housing delivery, the Chancellor announced that there will be **no more major changes to building regulations for the remainder of this Parliament**, except where necessary to improve building safety. We think this won't impact on the implementation of the Future Homes and Building Standard (which has already been legislated for), but that's not entirely clear. Government clearly hopes this certainty will support developers, but CIAT is concerned that this limits Governments' ability to streamline regulations which are not contributing to public safety, or which are disproportionate for the benefits they afford.

27. Government has also announced that all **residential brownfield development up to 1.5 hectares will be exempt from Biodiversity Net Gain requirements**. While recognising that this will lower costs for some developments, CIAT does not support this change for two key reasons. First, BNG delivers real public benefit and (given the government's stated desire to prioritise brownfield development), this exemption could significantly undermine BNG's impact. Second, this policy will do little to help the SME developers who are least able to compete in the housing market, as small sites already benefit from a BNG exemption. CIAT believes that other changes, such as reform of section 106, would therefore have been more beneficial for both developers and communities.

28. Alongside these measures, government is moving forward with plans to increase housing delivery by local authorities and housing associations. An additional **£1.5 billion has been allocated to the Social and Affordable Homes Programme**, to deliver around 10,000 more homes (though this is a relatively small percentage increase to a programme worth £39 billion over the parliament). Additionally, the preferential rate from the Public Works Loan Board will be extended by one year, keeping loans at 40 basis points below the normal rates, and a new **VAT relief on land sold to registered social housing providers** will be introduced. This currently falls short of delivering the "biggest boost to council house building since the post-war period" promised by the Prime Minister, but further announcements are expected in the 10-year-plan.

29. Government is also supporting housing demand, by **allocating £4.7 billion to the "Your First Home" scheme**, which will support around 70,000 households through 20% equity loans on properties up to £500,000 outside London or £650,000 in London. A new First Time Buyer ISA will be introduced, and there will be reforms to the existing Lifetime ISA. This has been welcomed by some in the sector, and may support an increase in delivery of, for example, smaller flats in London, the delivery of which has largely dropped off since the ending of previous help to buy schemes. However, unless coupled with meaningful and sustained increases in housing delivery, CIAT is sceptical that demand support will be beneficial overall, particularly given that it is funded by a cut in Warm Homes Plan funding (see paragraph 34, below).

Skills and employment

30. From 1 April 2027, the **National Living Wage will increase by 3.9% to £13.21 per hour** for eligible workers aged 21 and over. The National Minimum Wage for 18-20 year olds will also increase 3.9% to £11.27 per hour – this means there will be no change in pay ratios between the two rates (unlike the last budget, which saw a more significant increase in pay for younger workers).

31. The budget allocates £28 million to expand the Leeds College of Building to accommodate over 2,000 new learners. Local apprenticeship services will be extended across all existing mayoral strategic authorities from 2027.

Energy costs and green policies

32. The budget included significant announcements around energy bills.

33. For consumers**, the removal of VAT from electricity will be extended until July 2027** (and around 20 million households will receive a one-off energy payment of £100). **Standing charges will be removed from gas bills**, offset by higher unit costs (standing charges for electricity bills will be subject to review in future). Government is also **moving to reduce policy costs on energy bills**; the Gas Shipper Obligation tax on gas bills will not be introduced as planned, while, from 1 April 2028, the main rate of the Climate Change Levy on electricity will be frozen and Carbon Price Support removed. A cost control framework will be introduced through the spending review.

34. Elsewhere, government has announced that the **National Wealth Fund will commit £2 billion to renewable and low-carbon energy infrastructure** through a new Energy Wealth Fund. However, **£1 billion of capital funding has been removed from the Warm Homes Plan** to fund defence investment – this is expected to be realised primarily in a reduced allocation for the Boiler Upgrade Scheme. Additional **allocations to the Warm Homes Fund have also been "reprioritised" to fund the new Your First Home scheme** (see Housing paragraph 29 above). Parliamentary debates indicate that this will amount to a £1.5 billion cut to the total loan financing available. In total, this amounts to a 17% cut to the Warm Homes Plan.

35. These changes will have two key impacts. On the one hand, **shifting costs from standing charges to unit charges will incentivise investments in energy efficiency**, and the removal of disproportionate policy costs from electricity bills will make switching to clean heating systems such as heat pumps more financially appealing. On the other hand, **there will be less scope for the Department for Energy Security and Net Zero to use energy levies to fund decarbonisation investment, and less up-front consumer support for decarbonisation** and energy efficiency. Consumers will be benefit more from, for example, retrofit measures, but there will be less support for them to access those benefits. Overall, therefore, CIAT is disappointed with these changes, which represent a step backwards for the decarbonisation of the built environment.

Conclusion

36. Overall, while new infrastructure and social housing investments are welcome, in financial terms this is a small budget. Devolution of fiscal powers will, if fully implemented, represent one of the most significant rewirings of the state for a very long time, and may significantly change how the built environment develops locally, but it is too early to tell what the full impact of these changes will be.

37. In the short term, CIAT is more concerned with the decisions to cut Warm Homes Plan funding to support other government priorities. This indicates a significant change in direction under the Burnham administration, which poses a significant threat to the sustainability and resilience of the built environment. CIAT will continue to advocate for long-term, consistent funding to ensure that our sector can deliver the high-quality homes, buildings and places that our communities want to see.

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