

Autumn Budget, 28 October 2026

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The Chancellor of the Exchequer, John Healey, today (28 October) delivered the first Budget since Andy Burnham became prime minister.

The Chancellor presented the Budget as providing ‘breathing space for today and fresh hope for the future’, describing how ‘global economic storms’ including continued conflict in the Middle East and in Ukraine had driven up inflation, with gas prices having nearly tripled since February.

Healey said both families and Government were feeling the effects of this – through increased energy, petrol, and mortgage costs; and through a £14 billion increase in the cost of servicing Government debt.

In this context, Healey reaffirmed the Government’s commitment to supporting households and businesses while maintaining fiscal discipline. According to the Office for Budget Responsibility, the Government remains on track to meet its fiscal rules within the next three years, with the lowest current budget deficit of any country in the G7 by 2029. The national economy is forecast to grow by 1.2% this year, and by 1% in 2027.

North East announcements

- **The Chancellor set out a roadmap towards fiscal devolution for Mayors across England.** This is something the North East Mayor has long advocated for and will mean that more of the taxes raised in our region will stay in the region. It also means Mayors, including here in the North East, will have greater power and resources to improve public transport, build homes and create jobs.

The Chancellor confirmed that fiscal devolution will begin from April 2027, with Mayors sharing a proportion of business rates revenue raised in their regions; and will be followed by the devolution of a share of income tax revenue from 2028. Subject to business case, the region will also receive two new business rates retention zones, which will allow us to keep 100% of business rates growth above an agreed baseline in the region for 25 years.

The Chancellor also confirmed that all strategic authorities across the country will also be given powers to implement a new Overnight Visitor Levy.

- **The Chancellor announced that the next International Investment Summit will be held in Gateshead in the Spring of 2027.** This follows the North East Mayor writing to the Chancellor last year calling for the North to host the 2027 Summit and will bring investors from all over the world to the North East as we showcase investment opportunities right across the region and beyond. A date and venue are yet to be confirmed.
- **As part of the Northern Growth Strategy, the Government has also committed £7 million to conduct a feasibility study for a potential future Northern Olympics and Paralympics** during the 2040s, alongside further support for the Northern 500 group of innovative firms, delivered in partnership with The Great North.

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- **And the Chancellor also confirmed a new package of upfront investment in Mayoral Strategic Authorities to help unlock regeneration and housebuilding across the country, including here in the North East.** Healey committed to give MSAs:
 - £285 million to support mayors and local leaders to establish Good Growth Funds, with a new £1.5 billion borrowing facility, designed in partnership with Mayors, to follow in 2028. This additional funding will help unlock major projects like the regeneration of Gateshead Quays and Sunderland Riverside.
 - £150 million in 2027-28 to help strategic authorities build their capacity and capability to manage complex investment programmes.

How much funding each region will receive from these funds will be confirmed in due course.

- **The Government have also confirmed that the main construction work on the A66 will begin next month.** The scheme will deliver a continuous 50-mile dual carriageway between the M6 and A1(M), improving safety, reducing congestion and strengthening connectivity between the North-East and Cumbria. Under a revised delivery schedule, the Government expect the full scheme to take nine years to complete.

National measures

- **The Chancellor announced a £100 reduction in council tax for households in bands A to D to support them with their energy bills this year.** These payments will be made from January, and the Government will also extend the cut to VAT on electricity until July 2027.
- **The Chancellor also announced measures to protect low-income pensioners from paying income tax on the state pension, and 3.9% increases to both the National Living Wage and national minimum wage for 18 – 20-year-olds from April 2027.**
- **The Government will also introduce a series of ‘practical fixes’ to help people with the cost of living.** These are:
 - **Removing the Carer’s Allowance cliff edge** that meant carers earning a penny over the Weekly Earnings Limit (£204 a week) would lose their entire allowance.
 - **Abolishing standing charges on domestic gas bills**, which currently cost an average of £108 a year for the typical household – although this change will be offset by higher unit costs.
 - **Making higher tax-free mileage rates permanent**, locking in the 55p per mile rate for the first 10,000 business miles and increasing the rate above 10,000 miles from 25p to 35p per mile.
 - **Removing import tariffs on more than 100 products**, including baked beans, chocolate and gherkins.

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- **Extending parental pay** to more than 150,000 additional parents per year, including self-employed fathers.
- **Rolling out hundreds more Post Office drop boxes.**
- **And a number of changes are being introduced to drive ‘good growth on every high street’**, including an increase in the threshold for 100% Small Business Rates Relief from £12,000 to £18,000, meaning that 50% of high streets businesses will pay no business rates. This will be funded in part through an increase in machine game duty from 20% to 25% for higher stakes machines.
- **To implement this support while meeting the Government’s fiscal rules, the Chancellor confirmed that the corporation tax surcharge on banks’ profits will increase by 3% for a 15-month period starting in January 2027.** This will take the surcharge from 3% to 6%.
- **The Budget includes a range of interventions to stimulate housebuilding.** This includes an extra £1.5 billion for the Social and Affordable Homes Programme; an extension to preferential borrowing rates for local authorities to build council housing; and changes to regulation, such as removing biodiversity requirements on more brownfield sites. The Chancellor also committed to replace Lifetime ISAs with a new first-time buyers’ ISA and committed £4.7 billion to the Government’s new ‘Your First Home’ equity-loan scheme for first-time buyers.
- **The Chancellor also confirmed a further £432 million to sustain the Government’s efforts to offer every person sleeping rough a route off the streets this winter.** This takes the total funding committed to this issue since Andy Burnham became prime minister to £874 million and follows the first ever national Rough Sleeping Summit at Downing Street last week.
- **The Budget includes a number of measures to back entrepreneurs and innovative businesses.** This will include the introduction of a young entrepreneurs’ fund, which will cover the living costs of young entrepreneurs for a year while they grow their company; and changes to skilled worker visas and ‘non-compete’ clauses. The Chancellor also announced a new founders’ relief on capital gains tax, capping the tax at 10% on gains up to £10m.
- **The Chancellor also cancelled a planned cut to the amount that individuals can put into tax-free ISAs each year, keeping the limit at £20,000.**
- **The Chancellor announced a major package of funding to help deliver the benefits of AI**, including to bolster security and resilience, boost the economy, and speed up public services. This includes £165m for a new National AI Biosecurity Initiative, £60 million for the Sovereign AI Fund to enhance its ability to invest directly in promising UK AI companies, and £30m to kickstart local AI partnerships with Mayoral Strategic Authorities. This will be shaped by a new Mayoral Advisory Board on Artificial Intelligence, focused on setting priorities and identifying regional projects with potential for national scale-up. The Chancellor also announced a new ‘data centre covenant’

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whereby priority grid connections for new data centres will be secured in return for commitments to deliver jobs and investment in the local area.

- **On defence, the Chancellor announced £10 billion of additional funding for Ukraine in the form of loans and export finance guarantees; and began to set out how to meet the Government's commitment to spend 3% of GDP on defence by 2030.** This will involve the establishment of an innovative financing taskforce; working with international partners on a multilateral defence bank; and additional investment from the National Wealth Fund and the British Business Bank, who will also benefit from a combined increase of £20.4 billion in their funding.