

■ MEMBER BRIEFING

Budget 2026 Briefing

28 October 2026

£4.7bn

Your First Home equity loans for around 70,000 first-time buyers

£1.5bn

Extra for the Social and Affordable Homes Programme

1.5 ha

Residential brownfield sites up to this size exempt from BNG

100,000+

Capacity for new homes identified on defence land

Sources: HM Treasury, [Budget 2026](#) (HC 726); Office for Budget Responsibility, Economic and fiscal outlook, October 2026.

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01 Summary

John Healey's first Budget is built around cost-of-living support, energy bills, fiscal devolution and national security. For our sector, the main measures are Your First Home, more money for council housing and targeted cuts to the cost of building. There is no stamp duty reform, and landlords face a second tax rise in two Budgets.

- **Home ownership.** The £4.7bn Your First Home equity loan scheme is confirmed, with 20% loans, 2.5% deposits and first loans from April 2027. A new First Time Buyer ISA will replace the Lifetime ISA from 2029.
- **Social housing.** An extra £1.5bn for the Social and Affordable Homes Programme, another year of cheaper PWLB borrowing for councils, and VAT-free land sales to registered providers from April 2027.
- **Cost of building and planning.** No major building regulations changes for the rest of this Parliament, a Biodiversity Net Gain exemption for small residential brownfield sites, and AI planning tools for all councils by the end of 2027.
- **Land and devolution.** Defence land with capacity for over 100,000 homes, reform of the Crichel Down Rules, a £700m Strategic Sites Accelerator, and new money, business rates income and borrowing powers for mayors.
- **Tax.** Property income tax rises a further two points, capital allowances are rebalanced, and HM Treasury will look at clarifying the tax treatment of predevelopment costs.
- **OBR forecast.** The conflict in the Middle East has pushed up inflation and borrowing costs. The OBR forecasts growth of 1.2% in 2026 and 1.0% in 2027, with inflation peaking at close to 4% in early 2027. It has cut its housing supply forecast by 190,000 homes, citing weak demand, rising construction costs and the cumulative impact of regulation, and expects Your First Home to have only a marginal effect on supply. Headroom against the fiscal rules is £15bn.
- **Not in the Budget.** No change to residential Stamp Duty Land Tax rates, and nothing on Green Belt, grey belt, planning fees or Section 106.

02 What the OBR says

The Office for Budget Responsibility's forecast is downbeat on housing. It has cut its housing supply forecast by 190,000 homes and lowered its outlook for house prices, transactions and residential investment.

Indicator	OBR forecast	Change since March
Net additions to the housing stock	Around 230,000 in 2025-26, falling to 220,000 in 2026-27 and 2027-28, then rising gradually to 260,000 in 2030-31	190,000 fewer homes over the forecast
House prices	Growth of around 2% in 2026 and 2.5% in 2027, below inflation, then around 2.75% a year from 2028	Lower in the near term
Property transactions	Around 1.2 million in 2026, rising to 1.3 million in 2031	Around 4% lower
Residential investment	Real growth of 0.5% in 2026, then around 3% a year	6.75% lower by 2030

Indicator	OBR forecast	Change since March
Mortgage rates	Average effective rate rising from 4% in 2026 to around 5% in 2031. Bank Rate reaches just over 4.25% by mid-2027	Bank Rate just under 0.75 points higher
Property transaction taxes	£17bn in 2026-27, down 0.6% on last year, rising to £26bn in 2031-32	Around £3.9bn a year lower

Housing supply

- **Why supply has been cut.** The OBR has not changed its view that the 2024 planning reforms will boost housebuilding significantly. Instead, it points to higher interest rates, weak demand and construction costs rising faster than house prices, which have squeezed the viability of residential development. Planning permissions also suggest supply will stay weaker in the near term.
- **The cost of regulation.** The OBR says regulatory and fiscal changes outside the planning system since 2019 have weighed on housebuilding more than it had assumed. It names the Building Safety Levy and Building Safety Regulator regime, Biodiversity Net Gain, nutrient mitigation, the Residential Property Developer Tax and higher Corporation Tax. MHCLG is due to publish a feasibility study on evaluating the planning reforms in early 2027.
- **Your First Home.** Given its limited size, the OBR expects the scheme to have only a marginal impact on supply, and says it could marginally raise house prices by stimulating demand.

Council housing and landlords

- **Cost of council housebuilding.** The Government expects the Social and Affordable Homes Programme to deliver 180,000 social homes between 2026 and 2036. The OBR estimates that capital grant for a social rent home costs £150,000 to £200,000. It also estimates that returning council housebuilding to 1980s levels would need at least 22,000 more homes a year, costing £3bn to £4bn a year if all needed grant. It treats this ambition as a risk to its forecast until the next spending review.
- **Council finances.** Council Housing Revenue Account borrowing has risen from around £0.1bn to over £6bn in a decade, as construction and maintenance costs rose by over 40% and the council housing stock in England fell from over 5 million in 1980 to 1.6 million. Meeting the new Decent Homes Standard is expected to cost councils around £5bn. The OBR warns these pressures are likely to severely constrain many councils' ability to build significantly more homes.
- **Private landlords.** The OBR expects the property income tax rise to raise around £0.4bn a year. Combined with the Budget 2025 rise and other measures over the past decade, it warns of a steady long-term rise in rents: fewer landlords are likely to enter the market, which it thinks will more likely than not leave demand outstripping supply, and landlords are likely to pass more costs on to tenants.

Mortgages and the wider economy

- **Mortgage costs.** Mortgage payments are expected to rise to 4.25% of household disposable income by 2031, the highest since 2009 and more than double the 2021 level.
- **Stamp duty.** Lower receipts reflect weak in-year income from both residential and commercial property and lower forecasts for house prices and transactions. Recent price falls in London and the South East have a large effect because of the progressive structure of stamp duty.
- **Risks.** Unemployment rises to 5.1% in 2027 before falling. The OBR says outcomes are highly uncertain, with energy prices and interest rates the main risks: a one point change in interest rates would change debt interest costs by £16bn.

03 Home ownership

Your First Home is confirmed at £4.7bn and aimed at first-time buyers without access to the "bank of mum and dad". The caps, deposit rules and timetable are now set out.

Your First Home	Detail
Scale	£4.7bn of equity loans for around 70,000 households in England, supporting the delivery of an estimated 20,000 new homes. HM Treasury scores lending of £700m in 2027-28 and £1bn a year after that. Funding is capped each year, and the Government will work with developers and lenders to monitor demand.
Who it is for	First-time buyers who would not otherwise be able to buy a home. The OBR describes the loans as being for new-build homes. Household income is capped at £110,000, or £140,000 in London.
Terms	An equity loan of up to 20% of the property value, interest-free for the first five years and rising gradually after that. The Government says this could save buyers hundreds of pounds a month compared with a standard mortgage. Buyers need a deposit of at least 2.5%, and no more than 15%.
Price caps	Set from local authority median prices, so they will vary by area. The caps are £650,000 in inner London and £500,000 in outer London.
Developers	Developers pay a contribution when they sign up, set on a sliding scale to protect smaller developments. HM Treasury scores net income from these fees at £50m in 2027-28 and £95m a year from 2028-29.
Timetable	Pre-registration opens by the end of December 2026, full applications from February 2027, and the first loans are issued from April 2027.
Delivery and funding	Homes England runs the scheme at first, drawing on the National Housing Bank, which takes it over in the medium term once legislation is in place. A review is planned for next autumn. The scheme is funded by reprioritising Financial Transactions in other departments, including the Warm Homes Fund.

- **First Time Buyer ISA.** Replaces the Lifetime ISA for new savers from April 2029 and keeps its generosity: savers can put in up to £4,000 a year and receive a 25% government bonus, capped at £20,000. The bonus is paid when funds are withdrawn to buy a first home worth up to £450,000, so there is no withdrawal charge, and there is no upper age limit. Existing Lifetime ISA holders can keep using their accounts under the current rules.
- **Lifetime ISA withdrawal charge.** From 29 October 2026, savers who use their Lifetime ISA to buy a first home above the £450,000 price cap pay a reduced charge of 20%, which protects the value of their own contributions. Other unauthorised withdrawals are still charged 25%.
- **Home buying and selling.** Delivering MHCLG's Home Buying and Selling Roadmap is estimated to save businesses £116m a year. This is part of up to £640m a year of new administrative savings identified at this Budget.

04 Social and council housing

More money, cheaper borrowing and VAT-free land, as the Government sets out to deliver what it calls the largest council housebuilding programme since the post-war era over the next 10 years.

- **Social and Affordable Homes Programme.** An extra £1.5bn to deliver around 10,000 homes in England, prioritised for Social Rent and especially council homes. The money is allocated from 2027-28 to 2030-31 and rises over the period so that councils can build up their capacity. It adds to the £9.6bn allocated earlier this year and takes total investment in the programme to more than £40bn over 10 years.

- **Cheaper council borrowing.** The preferential Public Works Loan Board rate for council housebuilding, 40 basis points below the normal rate, is extended for a further year to 2027-28 and will remain under review.
- **Council lending limit.** The statutory limit on PWLB lending to councils rises from £135bn to £155bn, with an option to go to £175bn by statutory instrument. Separately, Woking and Thurrock receive £500m and £200m of PWLB debt relief to support their recovery from severe financial distress.
- **VAT on land.** A new zero rate of VAT on land sold to registered providers of social housing, described in the Budget as relevant housing associations, to speed up the construction of social housing. It will be introduced through secondary legislation in early 2027 and take effect from 1 April 2027.
- **Public land.** The Government is exploring a greater role for mayors in deciding how the public estate is used for growth, public services and housing in their areas, supported by a revised approach to managing government assets.
- **What comes next.** The 10 Year Plan will set out reforms to give councils the capacity to build at scale again, significantly reduce the complexity and cost of the development process, and release public land for affordable housing.

05 Planning and the cost of building

The Budget acknowledges that the cost of building a home is at a record high, driven by materials, labour and the burden of regulation and policy costs. Its response focuses on certainty and cost rather than new planning policy.

Cost of building

- **Building regulations.** To give housebuilders more certainty, there will be no major changes to building regulations for the rest of this Parliament. The exception is building safety, including implementing the Grenfell Inquiry recommendations. The Government will also look at amending regulations where a more proportionate approach would support development.
- **Biodiversity Net Gain.** Residential brownfield developments on sites of up to 1.5 hectares in England will be exempt from BNG, which the Government says will make it cheaper and simpler to build both council and private homes. The full consultation response and impact assessment, including when the exemption takes effect, will follow. Separately, BNG becomes mandatory for Nationally Significant Infrastructure Projects from November 2026.
- **Predevelopment costs.** HM Treasury has published a summary of responses to its call for evidence on the tax treatment of predevelopment costs. The next steps are possible changes to guidance to clarify how these costs are treated, and a look at the wider challenges some infrastructure investment faces under the capital allowances regime.

Planning capacity

- **AI for planning.** MHCLG's PlanAssist AI tool will be made available to all councils in England by the end of 2027, subject to further testing, with the aim of halving routine planning decision times and building capacity in planning departments.
- **Open planning data.** Local planning authorities will be required to digitise and publish key planning documents as open data by the end of 2027, removing barriers to wider use of AI.

Infrastructure decisions

- **Legal challenges.** The Government says the Planning and Infrastructure Act is already cutting delays, with one recent judicial review concluding in six months against a previous average of 1.4 years. It will now legislate to let Parliament designate and authorise the most critical infrastructure projects, so that legal challenges are raised and resolved earlier.
- **Consultation duties.** The Government will seek to repeal unnecessary duties to consult, moving away from what it calls box-ticking consultation.

- **Costs and indemnities.** The approach of the Fingleton nuclear regulation review will be extended to other sectors, starting with a review of rail infrastructure costs. The Government is also exploring indemnities for developers of other critical projects.
- **Infrastructure Pipeline.** An update before the end of the year will set out over £750bn of planned investment over 10 years and a workforce need of over 650,000 people.
- **Grid connections.** Planning and Infrastructure Act powers will be used to prioritise grid connections for strategically important projects.
- **Data centres.** A new Data Centre Covenant sets tests for strategic data centres, including paying their fair share of energy costs and agreeing a Local Benefit Plan with host communities. In return, a new Ministerial Control Centre will speed up their grid connections. A draft Data Centre National Policy Statement is out for consultation.

06 Land, devolution and place

More public land, new finance for strategic sites, and what the Government calls the biggest transfer of power and resources out of Whitehall in a generation.

Public land and strategic sites

- **Defence land.** The Defence Housing Strategy identified capacity for over 100,000 new homes on defence land. Delivery will be accelerated by:
 - re-establishing the Defence Housing Tripartite Taskforce of the MoD, HM Treasury and MHCLG;
 - a new Defence Housing Service working with local and mayoral authorities on strategic sites such as Feltham and Chetwynd Barracks, using military housing to anchor wider development where possible;
 - a Strategic Partnership Agreement between the MoD and Homes England, with the National Housing Bank exploring funding options;
 - reforming the Crichel Down Rules, which slow the release of surplus public land and have not changed significantly in 20 years, with updated Rules by spring 2027.
- **Surplus public assets.** The Strategic Asset Review has identified surplus public assets for disposal, and departments must now produce long-term asset strategies ahead of the 2027 spending review.
- **Strategic Sites Accelerator.** Formally launched, the Accelerator will mobilise around £700m through the National Wealth Fund and the Office for Investment, including a new concessional finance offer, to unlock strategic commercial sites. It is open for applications now, with first investments expected by the end of March 2027.
- **Development corporations.** The Greater Cambridge Development Corporation will pilot direct access to government finance for land assembly and to invest alongside private partners, from April 2027, with £95m of finance in 2027-28. The Government sees this as a first step towards giving development corporations long-term, flexible finance. A consultation on a development corporation in Oxford follows by the end of the year.

Fiscal devolution

Measure	Detail
Good Growth Funds	£285m in 2027-28: £165m for places with a mayor and £120m of incubator capital for areas moving towards devolution. From April 2028, a £1.5bn borrowing facility for Mayoral Strategic Authorities will include subsidised lending for locally chosen projects, including regeneration and development.
Business rates	Mayors receive a 20% share of business rates from April 2027. By the end of the decade, local and regional government will keep 100% of business rates in place of central government grants, with councils' share rising to at least 70%.

Measure	Detail
Business Rates Retention Zones	Nine zones will keep 100% of business rates growth above a baseline for 25 years, to unlock commercial development and projects in places such as Stratford, Derby and Selby. They are Greater Manchester, East Midlands, Hull and East Yorkshire, Liverpool City Region, Tees Valley, West of England, North East, York and North Yorkshire, and the GLA. A Cambridgeshire zone is being agreed for 2028.
Other mayoral powers	A share of income tax for all mayors from 2028, a power for Strategic Authorities to introduce an Overnight Visitor Levy, and £150m of extra capacity funding in 2027-28.
New devolution deals	Ten agreements are in their final stages: Devon, Plymouth and Torbay; Hertfordshire; Lancashire; Leicester, Leicestershire and Rutland; Stoke and Staffordshire; Surrey; Thames Valley; Wessex; Kent and Medway; and Cornwall. Over 90% of England will then be covered, with full coverage targeted by the end of 2028.

Regeneration, London and transport

- **High streets.** MHCLG's new High Streets Strategy includes a "High Streets First" principle for relevant public estates. Councils get a £125m Derelict Buildings Fund to turn buildings into what communities need, from health centres to civic spaces. There is also £65m to help communities rescue buildings and businesses at risk of closure, such as pubs and sports clubs, and a new £80m Local Renewal Fund for regeneration and heritage.
- **London.** Tax Increment Financing at Euston, based on a business rates retention zone, will mainly fund London Underground upgrades. A retention zone at Stratford will address station capacity and support development around it. The Government will explore letting Mayoral CIL revenues support borrowing for strategic infrastructure, and will legislate for a successor to the Elizabeth Line Business Rates Supplement to help fund schemes such as the Bakerloo Line Extension.
- **Regeneration funding.** £20m for the Littlewoods site in Liverpool, £10m for Bury's indoor market and £10m to unlock private investment in Bristol Temple Quarter.
- **Transport.** Northern Powerhouse Rail progresses, including a new Bradford station at the Interchange site. Leeds station gets over £300m by 2030, and main works on the A66 dual carriageway start in November 2026. The Government will also explore new powers to help mayors deliver mass transit schemes.
- **Appraisal.** The Green Book discount rate falls from 3.5% to 3.0%, which strengthens the case for long-term projects. New guidance on place-based business cases puts local objectives at the centre of decisions.

07 Property and business tax

The Budget avoids broad-based tax rises but raises tax on income from property and savings, rebalances capital allowances and makes a series of technical property tax changes.

Measure	What changes
Property income tax	Budget 2025 had already raised rates on property income by two points from April 2027. This Budget adds two more, so from 6 April 2027 the rates are 24% basic, 44% higher and 49% additional, in England, Wales and Northern Ireland. The Government says 84% of income tax payers are unaffected. It is expected to raise £435m to £575m a year from 2028-29.
High Value Council Tax Surcharge	Following consultation, the surcharge on high-value homes in England will include a deferral scheme, a series of discounts and exemptions, and a 100% premium on homes left empty for 12 months or more. It starts in April 2028.
ATED	Annual Tax on Enveloped Dwellings charges rise by 3.5%, in line with inflation, for 2027-28.

Measure	What changes
Stamp Duty Land Tax	No SDLT on rent paid under assured tenancies in England, effective from 1 May 2026, following the Renters' Rights Act 2025. From 29 October 2026, group relief will be withdrawn as intended when a purchaser leaves a corporate group and the vendor company has been wound up. A new relief supports the pooling of Local Government Pension Scheme assets.
Capital allowances	The main rate first-year allowance rises from 40% to 50% for spending from 1 January 2027. The main writing down allowance falls by two points to 12% from April 2027. Corporation Tax stays capped at 25%.
Advance Tax Certainty Service	The minimum project spend for HMRC's tax certainty service for major investments falls from £1bn to £300m from 4 November 2026.
Business Asset Disposal Relief	The lifetime limit halves from £1m to £500,000 from 6 April 2027. The Government says three-quarters of claimants will still get relief on their entire gain.
Foreign sovereign investors	From 1 January 2029, certain UK real estate income and gains of foreign sovereign investors come into UK tax, with bespoke access to Real Estate Investment Trusts.
Property information	The UK joins a new international agreement to exchange real estate information automatically from 2029-30. HMRC is consulting on collecting property income data from third parties.
Landlord registration fee	A registration fee for the private rented sector is mentioned in a note to the Budget's costings table, with no further detail.
Bank Surcharge	The Bank Corporation Tax Surcharge doubles from 3% to 6% from 1 January 2027 to 31 March 2028, to help fund household energy support. The Government says it will not be extended.

Business rates and commercial property

- **Empty properties.** After its call for evidence on business rates and investment, the Government will work with business and councils on how the system can better encourage empty properties back into use.
- **Avoidance.** A General Anti-Avoidance Rule for business rates in England will follow consultation. From April 2027, councils will be reimbursed for external legal costs in unsuccessful cases that challenge avoidance and test a point of law.
- **Bills and appeals.** The 1p Transitional Relief Supplement is extended for two years from April 2027. Valuation Tribunal fees of £150 and £300 for non-domestic rating appeals are abolished, with fees on the 2026 list refunded.
- **Infrastructure.** The Government will legislate for further support for strategic infrastructure, such as airports, facing exceptional rateable value increases once current transitional relief ends.
- **High street relief.** For retail, hospitality and leisure properties, Small Business Rates Relief thresholds rise from £12,000 to £18,000 for full relief and from £15,000 to £21,000 for tapered relief, and bills are frozen in real terms for two years from April 2027.

08 Homelessness, retrofit and skills

More for rough sleeping, licensing for supported housing, a smaller Warm Homes Plan and new requirements on apprenticeships.

- **Rough sleeping.** There were 4,793 people sleeping rough on a single night in autumn 2025. On top of £442m announced since July, the Budget adds £432m across 2027-28 and 2028-29 so that people sleeping rough have a route off the streets every year. Total additional funding reaches £874m to 2028-29, partly paid for by reprioritising MHCLG budgets.

- **Temporary accommodation.** The Government's Value for Money Review of homelessness funding, which is looking at temporary accommodation and supported housing delivery models, concludes in 2027.
- **Supported housing.** A licensing regime will enforce national standards for supported housing in England from 2027-28.
- **Warm Homes Plan.** Capital grant is cut by £1bn as the energy department contributes to defence spending. Most funding for low-income households and social housing, delivered by mayors and councils, is protected, and the Warm Homes Loan Scheme has launched. The Boiler Upgrade Scheme stays at £400m in 2027-28 and rises broadly with inflation after that.
- **Apprenticeships.** At least 3% of the workforce on large government construction and infrastructure projects must be apprentices. Leeds College of Building gets £28m to take over 2,000 more learners, and mayors get £100m over two years for local apprenticeship services.
- **Visas.** From spring 2027, minimum salary thresholds for specific occupations fall from the median wage to the 25th percentile, and thresholds will be updated each year in line with wage data.

09 What was not in the Budget

- **Stamp Duty Land Tax.** No change to residential rates. LPDF's research with Public First, The case for Stamp Duty reform (August 2026), sets out the case for reform.
- **Planning policy and fees.** Nothing on Green Belt, grey belt, the NPPF, Section 106, CIL outside London, or planning fees.

Get in touch. Members with views, particularly on Your First Home, predevelopment costs and the BNG exemption, should contact the LPDF team at info@lpdf.co.uk.

10 Key dates ahead

Date	Event
29 Oct 2026	Lifetime ISA charge for homes above £450,000 cut to 20%. SDLT group relief changes
Nov 2026	Advance Tax Certainty Service threshold falls (4 Nov). BNG mandatory for NSIPs. A66 works begin
End 2026	Your First Home pre-registration. Infrastructure Pipeline. Oxford development corporation consultation
1 Jan 2027	First-year allowance rises to 50%. Bank Surcharge rises to 6%
Feb to Mar 2027	Your First Home applications open (February). First Strategic Sites Accelerator investments (by end March)
April 2027	Your First Home first loans. VAT zero rate on land to registered providers. Mayors take 20% of business rates. Greater Cambridge finance pilot. Writing down allowance falls to 12%. Property income tax rises and BADR limit falls (6 April)
During 2027	MHCLG feasibility study on evaluating the NPPF reforms (early 2027). Crichel Down Rules and visa threshold changes (spring). Spending review and 10 Year Plan. Homelessness review concludes. Supported housing licensing begins. PlanAssist and open planning data by year end
2028 to 2029	£1.5bn mayoral borrowing facility and High Value Council Tax Surcharge (April 2028). Income tax share for mayors (2028). First Time Buyer ISA (April 2029)

Sources: HM Treasury, [Budget 2026](#) (HC 726), 28 October 2026; Office for Budget Responsibility, Economic and fiscal outlook, October 2026.