

Autumn budget 2026

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A mixed budget for businesses and investors

By GK's Head of Policy, Hugo Tuckett

Chancellor of the Exchequer John Healey's inaugural budget statement to parliament was a mixed bag for businesses and investors. While Healey was keen to emphasise a series of policy interventions designed to encourage entrepreneurship in the UK, wider revenue raising measures and above-inflation increases in minimum wage rates are likely to dampen business confidence and investor appetite.

The chancellor presented his budget to parliament against a hugely challenging economic and fiscal backdrop for the UK. The Office for Budget Responsibility (OBR), the government's independent economic and fiscal watchdog, has warned that the UK's real GDP growth rate will slow from around 1.2% in 2026 to 1% in 2027, 0.6 percentage points below its March 2026 forecast, due to rising interest rates and energy prices. Rising interest rates are also pushing up the cost of government borrowing which is placing significant pressure on the public finances. Healey confirmed in his statement to parliament that the government will spend £14 billion more on interest payments this year due to higher than anticipated borrowing costs.

To help balance the books and fund his package of measures to offer 'breathing space' to households and businesses, including cuts to energy bills and the introduction of an energy payment scheme, the chancellor announced that the government would temporarily increase the Bank Corporate Tax Surcharge from 3% to 6% for 15 months from 1 January 2027 to 31 March 2028. This rise was lower than initially feared by the banking sector, but it does represent a tax raid on one of the UK's most productive sectors and is likely to impede future levels of investment activity. The government also confirmed it would reduce the lifetime limit for capital gains eligible for Business Asset Disposal Relief (BADR) from £1 million to £500,000 from April 2027.

Alongside tax raising measures on the UK's financial services sector, Healey confirmed the widely reported 3.9% increase in National Living Wage and National Minimum Wage rates from April 2027. This above-inflation increase will continue to place pressure on the margins of businesses that have a large proportion of its workforce paid at or near the minimum wage. It does, however,

demonstrate a departure from Labour's manifesto commitment to remove what it referred to as 'discriminatory age bands' and move to a single adult rate. This suggests that future uplifts to the NMW (the rate that applies to 18-20 year olds) will be lower than the significant above-inflation increases we've seen in recent years.

Despite the economic headwinds and ongoing pressure on the public finances, the chancellor did make a concerted effort in his budget to encourage entrepreneurs and wealth creators to build businesses and invest in the UK. One of the main policy measures announced in the budget was the introduction of a new Capital Gains Tax (CGT) Founders' Relief, offering a 10% CGT rate on up to £10 million of lifetime gains for qualifying founders of what the government refers to as 'high-growth, innovative companies' from April 2027. HM Treasury has confirmed that it will publish a technical consultation on the detailed design of the relief which will be introduced through the Finance Bill 2026-27. The devil will, as ever, be in the detail with this announcement, including which founders qualify and which companies are eligible.

Ultimately, this budget won't be one to make or break investment or business activity in the UK. It was a relatively modest and cautious budget that saw the chancellor attempt to extend some financial support to households while abiding by the government's pre-existing fiscal rules and manifesto commitments on income tax, VAT and national insurance. This will leave the prime minister and chancellor with their fingers firmly crossed for some improved economic news over the next few months ahead of next year's much anticipated spending review.

Political reaction to Healey's inaugural budget

By GK Senior Partner & Managing Director, Scott Dodsworth

Presented as a budget for the working people of Britain, the statement was notably cautious as the new chancellor aimed to balance the nerves of the City with the hopes and demands of his own party's MPs.

Following his whirlwind arrival in Downing Street, Andy Burnham entered No. 10 this summer with a promise of hope and to deliver more support for those facing ongoing cost of living pressures. Earlier today, in his first budget as chancellor, John Healey followed the prime minister's message and delivered a budget under the banner of 'Breathing space for today... and fresh hope for the future'. The government, as with those it has followed, is contending with a challenging economic environment, worsened by international events, with high inflation and increased borrowing costs.

The budget statement followed several targeted policy announcements made yesterday, including the removal of import tariffs on some food items which the chancellor said were intended to give people help with the cost of living. Also announced this morning was the government's commitment to remove standing charges from domestic gas bills in a continuation of the government's core cost of living message.

Leader of the Conservative party Kemi Badenoch highlighted the nation's low levels of resilience, in all areas. Badenoch said the budget was 'not good enough' and 'not bold enough', attacking the government's record on tax, borrowing, debt interest and welfare. The Conservatives said only they had 'a coherent plan to back hard work, cut spending, cut taxes and get Britain working again'.

After 100 days in government many at Westminster wonder if today's budget marks the end of the Burnham Bounce, with greater scrutiny of the government's decisions and the pressure to demonstrate delivery against critical policy priorities. While the government faces enormous spending pressures - not least from social security, welfare and defence - we won't see definitive action on these areas of policy until the spending review, expected next autumn.

Timing is now important. The publication of the government's 10-year plan is expected before the house rises for Christmas recess. With a spending review not scheduled for several months, this leaves the door open for a potential spring election, before the government needs to commit to painful spending decisions that will mean departmental winners and losers, and the political challenges that inevitably brings.

Sector analysis

Health & Social Care

The NHS did not feature prominently in the chancellor's budget statement. GK's strategic adviser Steve Brine described the health-related announcements as 'largely on the margins', but highlighted the emphasis on prevention, transformation and the effectiveness of public services. The accompanying budget document confirmed an additional £190 million for the NHS in England in 2026-27 to help manage winter pressures. Healey confirmed previously reported changes to the Carer's Allowance, replacing the current cliff edge at the weekly earnings limit with a 100% taper on earnings above the limit from 2030-31. Other announcements included £100 million for robotic surgery, an independent review of NHS productivity and AI, and a £15 million AI Challenge Prize focused initially on challenges with the NHS. As Brine noted, these measures are likely to matter in the long run but are 'extremely slow-burn'. No further detail was announced on the National Care Service, with next steps expected to follow the Casey Commission's final report in 2027. The budget reinforced the government's focus on improving NHS productivity through technology, in line with the 10-Year Health Plan's ambition to transform healthcare delivery through digitalisation.

Education

The budget reiterated the government's commitment to Alan Milburn's review into young people, confirmed it will be published in November, and that there will be a government response by the end of December. A white paper and legislation will follow in the new year. Earlier this month, news outlets reported that Milburn's final report would be delayed until after the budget. GK's strategic adviser Robert Halfon noted that key government departments, including the Department for Education (DfE) and Department for Work and Pensions (DWP), were 'vigorously' discussing the various recommendations made by Milburn himself.

There were few mentions of apprenticeships and skills, though the budget document did set out the government's commitment to provide £100 million of funding across 2027-28 and 2028-29, to expand 'mayoral apprenticeship brokerage pilots' from 7 to 14 mayoral strategic authorities and to re-establish the Union Learning Fund in England. This reinforces expectations that the direction of travel under Burnham is an acceleration of plans for the devolution of education and skills policy and funding. The Union Learning Fund is set to have a budget of £15 million per year from 2027-28 to allocate to projects put forward by unions to support learning and training among workers. Ministers have stressed that this will support upskilling to meet the changing needs of the economy.

Energy & Net Zero

Against the backdrop of rising energy prices caused by the conflict in Iran, the chancellor announced a package of measures to ease pressure on household bills alongside longer-term reforms to the energy market. The headline measure is a £100 Household Energy Payment, paid directly into the bank accounts of around 20 million households in council tax bands A-D, designed to offset much of the impact of the 27% increase in the January 2027 energy price cap. Gas standing charges will also be removed from household energy bills, ending the fixed daily charge paid regardless of usage and instead incorporating the costs into unit rates, with similar reforms to electricity standing charges expected to follow. The temporary VAT reduction on electricity bills will be extended until July 2027, funded through an increase in the Bank Corporation Tax Surcharge. The fuel duty freeze will also be extended until July 2027. For businesses, particularly energy-intensive ones, the British Industrial Competitiveness Scheme will be introduced from April 2027, reducing electricity costs by up to 25% for eligible firms.

John Healey also used today's budget to set out a blueprint for longer-term energy reform. From 2027, a new framework will be introduced as part of the spending review to ensure government action helps drive down energy costs over the following decade. Until then, no further policy costs will be added to bills unless projects lower costs for consumers, are necessary for energy security, and are ready to connect to the grid. The government's longer-term ambition is to reduce Britain's exposure to international gas prices by decoupling gas from electricity prices, ensuring consumers can benefit from clean power.

Food, Farming & Agriculture

Buried deep in the autumn budget briefing document was an announcement that tariffs on fertilisers will be temporarily suspended, aimed at reducing production costs for the UK agricultural sector. The chancellor confirmed that tariffs will also be suspended on imports of over 100 food products. This will support consumers and families with their weekly food shop, costing the treasury between £120 million and £185 million per annum, and delivering on the chancellor's narrative of providing families 'breathing space' while food price inflation continues to rise.

Housing & the built environment

The most significant housing policy announcement in today's budget was the government's new Your First Home scheme. The government will introduce a new £4.7 billion equity loan scheme, supporting first-time buyers with up to a 20% government equity loan, a reduced deposit requirement, and a five year interest free period. The government says this will help 70,000 first time buyers take their first step onto the housing ladder. Other measures to support the delivery of social and affordable homes also featured in today's budget, with the government committing not to further review or reform building regulations for the remainder of this parliament – a measure that is likely to be welcomed by developers and others across the housebuilding sector.

Defence

John Healey's resignation as defence secretary earlier this year ultimately precipitated the departure of then prime minister Sir Keir Starmer. At the time Healey told the Commons that current plans to meet the target of increasing defence spending to 3% of GDP by 2030 and 3.5% by 2035 fell 'well short of what is required'. As chancellor, Healey has been forced to abandon his earlier position, arguing that the spending review next year is the point for a long-term settlement.

The budget confirmed the government would fully fund the Defence Investment Plan, alongside a new definition of UK suppliers and additional support for the defence industrial base with a £5bn investment fund and access to lending over the next four years. In a call to the President of Ukraine earlier today the government confirmed that it would supply £10 billion of additional economic and military support via loans and export finance to Ukraine, including £500 million in urgent military funding for this winter.

Home Affairs

The Home Office is not among the major departmental winners in this budget. In the budget, the government focused on tackling violence against women and girls (VAWG), with £55 million committed over two years to accelerate the delivery of the VAWG strategy. The government has committed to directing £13 million of this funding towards law enforcement efforts to strengthen protections for victims and to identify and disrupt perpetrators of abuse. This targeted investment reinforces the government's commitment to tackling VAWG, although the relatively modest funding allocation suggests that delivery will remain heavily dependent on existing police resources and effective coordination across public services.

The budget also confirmed the reallocation of existing resources to accommodate the 2026 police pay award, as part of the Home Office's financial settlement. This redistributes £150 million from the Afghan Resettlement Programme to help alleviate immediate financial pressures on police forces. While this provides some short-term relief, the reliance on reallocating existing funding rather than providing additional resources raises questions about the government's ability to address wider operational and workforce pressures over the longer term. It also highlights the difficult trade-offs facing the department as it seeks to deliver competing priorities within a constrained fiscal environment.

Emerging Regulatory Markets

Throughout the budget statement, Healey reiterated the government's ambition to support innovative UK businesses to grow and scale. The chancellor announced several measures, including almost £2 billion of investment into these businesses through the British Business Bank, £80 million to expand the Sovereign AI procurement scheme, and £138 million for quantum technologies. The government also announced measures to strengthen public procurement as a means of supporting innovative businesses.

The government reaffirmed its commitment to reducing regulatory barriers to innovation, confirming the establishment of a Better Regulation Executive, which is intended to streamline regulation, and providing further details on the Regulation for Growth Bill. The bill will introduce powers to temporarily adapt existing regulations to enable businesses to test innovative technologies, with a route to permanent regulatory changes where trials are successful. One such use case will be a Ministry of Defence-led drone regulation unit aimed at reducing barriers to testing autonomous systems. Taken together, these measures are likely to create a more supportive environment for businesses using emerging technologies.

Contact Information

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