

Budget 2026: Fresh hope for housing?

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Introduction

Housing was left waiting in the wings until the final few minutes of this week's budget, but Chancellor John Healey made some important (if modest) announcements designed to tackle the housing crisis and help people without homes or who are struggling to pay energy bills and other costs.

Key points

- A further £1.5bn for the social and affordable housing programme, making the SAHP worth £40.5bn over ten years
- No major changes to building regulations for the remainder of this Parliament, except to improve building safety
- Smaller housing developments on brownfield land of up to 1.5 hectares to be exempt from biodiversity net gain requirements
- Land sold to registered providers of social housing to be zero-rated for VAT
- Your first home scheme forecast to help about 70,000 households buy for the first time and lead to an estimated 20,000 new homes
- A further £432m over the next two years to reduce rough sleeping, with £874m now on offer by the end of this Parliament
- Changes to carer's allowance will mean claimants no longer lose all their benefit for exceeding the weekly earnings limit by a penny
- £100 household energy payment for up to 20 million households in council tax bands A to D.

Housebuilding

What's new

The chancellor announced a further £1.5bn for the social and affordable housing programme, making the SAHP worth £40.5bn over ten years. The extra money should help deliver a further 10,000 homes, say ministers, with council homes built for social rent a priority

John Healey also promised that there will be no major changes to building regulations for the remainder of this Parliament, except to improve building safety. This includes recommendations from the Grenfell Inquiry.

According to the budget red book: *"the government will continue to consider how amendments to regulations could support development by being more proportionate. This will give industry and councils greater confidence to invest, build and deliver homes."*

Smaller housing developments on brownfield land of up to 1.5 hectares will be exempt from biodiversity net gain requirements. According to the government, this should help make brownfield land *"the first port of call for development"*.

[Following a consultation](#), all land sold to registered providers will be zero-rated for VAT. The change will be introduced through secondary legislation and take effect from 1 April 2027.

As previously announced, the £4.7bn [your first home scheme](#) is forecast to help about 70,000 households in England buy a home for the first time and lead to an estimated 20,000 new homes.

The scheme will provide 20% equity loans to first time buyers, with income caps set at £110,000 outside London and £140,000 in the capital.

[A new first time buyer ISA](#), to be introduced in April 2029, is designed to make it easier to save for a deposit.

Reaction

Jonathan Higgs, Chief Executive of Raven Housing Trust, said: *"we welcome the increased investment in the SAHP and measures to support first-time buyers into new homes. The real test of today's budget will be whether it delivers more affordable homes in the communities that need them most."*

Mairi MacRae, Acting Chief Executive of Shelter, said building more social housing is vital, but urged the government to go further. *"Leaving councils saddled with needless debt while expecting them to build enough social homes is like asking them to drive with the handbrake on."*

London Councils [welcomed the boost in the SAHP](#) but added: *"London Councils has previously identified a pipeline of over 50,000 potential new council homes in the capital. Even with the SAHP uplift announced at the budget, further financial support will be required to help boroughs deliver all these homes in the coming years."*

Homelessness

What's new

Following Monday's [summit on rough sleeping](#), held in Downing Street, the chancellor confirmed a further £432m over the next two years to help people off the streets. This means that £874m will be available to housing providers, charities and others by the end of this Parliament.

Andy Burnham has promised that all rough sleepers will be offered a "route off the streets" by Christmas. According to the budget red book, the cost to the public purse of each individual sleeping rough is about £14,000 per year.

During this budget speech, Healey told MPs: *"this is a moral mission for me and the prime minister."*

Reaction

Matt Downie, Chief Executive at the charity Crisis, [said the Budget represents a "clear step" towards ending homelessness](#).

But he regretted that no change is being made to Local Housing Allowance rates. *"The missing piece of the puzzle is taking action to prevent people being forced into homelessness in the first place,"* he added. *"The government must bring Housing Benefit back in line with the real cost of renting."*

Fiona Colley, Director of Social Change at Homeless Link, said the chancellor had *"missed an opportunity to act to meaningfully prevent homelessness"*, such as unfreezing LHA rates.

Lee Bloomfield, Chief Executive of Manningham Housing association, said: *"the pandemic proved that we could take people off our streets in the short term. Now is the moment to deliver a durable, long-term solution."*

Welfare

What's new

The chancellor confirmed that changes to the welfare system are imminent, with the Milburn review on young people and work and the Timms review of Personal Independence Payments both due next month.

Changes highlighted in the budget included restricted tax breaks under the Motability scheme and removing any entitlement to Universal Credit and other benefits from offenders detained in hospital after being convicted of serious violent and sexual offences.

Parental pay is being extended to more than 160,000 more parents, including “self-employed dads” and partners who previously missed out.

Changes are also being made to the way earnings [affect people in receipt of carer’s allowance](#). Claimants will no longer lose all their benefit for exceeding the weekly earnings limit by a penny, with earnings above the limit instead subject to a taper.

Energy

What’s new

The government is to make a £100 household energy payment to up to 20 million households in England in council tax bands A to D. Other parts of the UK are expected to follow suit.

The temporary VAT cut on electricity bills will be extended until July, taking about £50 off the Ofgem annual price cap in April.

Ofgem is also expected to abolish gas standing charges and move people onto unit rates, making “bills fairer and giving households more control over what they pay”.

Confirming the government’s commitment to clean energy, the chancellor told MPs he was “kickstarting” the long-term action needed to bring energy bills down for good. No new policy costs will be put on bills until a comprehensive cost control framework is in place after next year’s spending review.

Local government

What’s new

No announcement was made on local government reorganisation, but the chancellor confirmed that all regional mayors will receive a share of income tax from 2028. In addition, strategic authorities will be able to introduce an overnight visitor levy, or tourist tax.

By the end of 2028, more than 90% of people in England should be covered by some form of devolved authority. By the end of the decade, said Healey, local and regional authorities will retain 100% of business rates, with mayors receiving a share of business rates from 2027 rather than grants.

Other budget announcements

- From April, the national living wage will rise by 3.9% to £13.21 per hour
- Rates of tax on savings and property income are to increase by two percentage points across all tax bands from April 2027
- An extra £700m is being allocated for AI security, including £120m for the AI Security Institute
- 70,000 more retail, hospitality and leisure businesses will no longer pay business rates following a rise in the threshold for small business rates relief
- Local authorities are to digitise and publish key planning documents as open data by the end of next year.

Conclusion

This year's budget was meant to provide *"breathing space for today"* as well as *"fresh hope for the future"*.

While the word 'hope' is overused in politics, it allows the government to paint a reasonably encouraging picture at a time when many people are struggling, especially those on lower incomes.

Along with national security, housing was identified by the chancellor as a key way of creating a brighter future and many announcements were welcome.

A further £1.5bn is being allocated to the social and affordable housing programme, while housebuilders are being offered fresh encouragement and less regulation, without safety being compromised. Registered providers will no longer pay VAT when they buy land.

But in spite of persistent lobbying, the government refused to raise Local Housing Allowance rates, meaning councils and housing providers are tasked with reducing rough sleeping without the power they want to place homeless people in permanent homes.

It is to be hoped that the government comes up with longer-term solutions to the housing crisis when Andy Burnham has been Prime Minister for longer than just three months.

Further reading

Full government background documents on the Budget can be [read here](#).

About the author

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