

THE AUTUMN BUDGET 2026: PROTECTING THE TREASURY WHILE OFFERING THE MASSES SOME CRUMBS.

This article is in three parts. The first covers the state of UK society which provides context to the budget. The second covers the elephant in the chamber; the distribution of taxes which the budget will avoid. The third an overview of the economy prior to the budget and finally the budget itself.

The state of the Kingdom.

In July the [Asda Income Tracker](#) found that: “the gap between the highest-and lowest-earning households has widened by £30 a week over the past year and the lowest earning fifth now face a £71 weekly shortfall.” The October 2026 [BMA Health Inequalities Report](#) found that: “Those in Blackpool, for example, have a healthy life expectancy of 51.8 years (women) and 50.9 years (men) compared to those in Richmond upon Thames who can expect good health for 70.3 and 69.3 years respectively – a difference of almost two decades.” Mental health rates were 74% higher in deprived areas. Despite all of this, the preventative health grant to local councils stood at £32.78 for the most affluent areas and only £17.40 for the most deprived areas.

The most recent study of this catastrophe is titled: [HEALTH INEQUALITIES, LIVES CUT SHORT JANUARY 2024](#) brought out by the *Institute of Health Equity*. It found that between 2011 and 2019 there were nearly 1.1 million premature and unnecessary additional deaths caused by the cuts. This has continued, to this health crisis add in the economic pressures created by raising children, and the *vital rate* has turned negative. Since 2024 there have been more deaths than live births and this has been projected to continue [at around 450,000 more deaths than births](#) over the 10 years up to 2034. A society which cannot reproduce itself is a society in crisis.

And this pressure does not only cover the lowest income earners but is distributed throughout society. In the NHS current full-time median pay is still 6% below the figure in 2010. The same applies to rest of the working class. In 2010 median net household income was £419 p.m., rising to £623 in 2026, a difference of 48.7%. In real terms most households are 11.8% worse off than in 2010 due to prices having risen by 60.5%

While pay and benefits form a greater part of the average standard of living, a significant portion is added by council services which provide for many daily needs. There has been a real-time fall of 27% in council spending resulting in a fall of over 200,000 council workers. This is primarily due to [cuts to the grants](#) from Central Government to local Councils. Factoring in the growth of population and inflation the fall in grant per head of population has been 32.5%. For the public service as a whole there has been a fall in employment equal to 15% per head of population.

Besides payment of interest on the government debt the only real increase has been on [military spending](#). In 2026 it is due to rise in real terms from £51.5 billion in 2020/1 to £67.0 billion in 2026/7, a rise of 30%. For the police a real term increase of only 6%.

The festering sore of taxation.

Taxation especially tax dodging is of the highest concern to voters. Taxing the rich has become a popular slogan and it means in most cases a wealth tax. But wealth taxes, as we will see, will yield

far less than fixing the broken UK tax system itself. And turning to the Chancellors speech, he acknowledged that changes to tax collection were needed.

In 2014 the Public and Commercial Services Union commissioned a study on tax dodging. It found that £80 billion in taxes went unpaid that year. Given 40% inflation since then, this works out £112 billion today. That is almost double the £59.2 billion Tax Gap [HMRC estimates](#). The cumulative figure is in the hundreds of Billions, if collected it would be sufficient to reverse the cuts, fund schools and hospitals, build tens of thousands of homes and still have money left over to reduce the public debt. In other words, it would be transformative. One sentence explains the curse that has befallen society. **More and more money is flowing into fewer and fewer pockets and those pockets are paying less and less tax impoverishing society.**

There are two areas where tax collection is quite frankly silly. HMRC admits as much when it recognises that one third of the tax gap is made up of [Capital Gains Taxes \(CGT\)](#) which represent only 1.6% of total taxes. [In 2025-26](#) CGT raised only £20.3 billion. So let us play a simple mind game. The biggest source of CGT is the share market. British investors own over £2 trillion worth of shares in London and New York with £462 billion residing in the London Stock Exchange. According to the World Bank roughly two thirds of shares are bought and sold each year. That amounts to \$1.3 trillion. Over the last 3 years the average annual increase in share prices in the US was 40% and in the UK 15%. The weighted average is 34% meaning the gains on shares over the last three years amounted £146 billion p.a. Given a CGT rate of 24% (because most shares are owned by high income earners) that should yield £35 billion in taxes a year, almost double the amount raised, and this discrepancy arises from considering only shares in two stock exchanges. Shameful, but then a system based on exploitation does not really tax the exploiters.

Inheritance tax is another disgrace. It raises only about £7 - £8 billion a year or +/-0.6% of total tax. Let's play another mind game. Total wealth in the UK amounts to £15.1 trillion. Of this amount, the top 10% of wealth owners, the ones bound to pay this tax, own £8.2 trillion. They number around 6.8 million, which means, that with an average age of about 80 years, around eighty-five thousand die each year with an average estate of around a million Pounds after allowances. Yet only around thirty thousand deaths result in inheritance tax, just over a third of the potential number due to all the loopholes. The amount of £8 billion represents an effective tax rate of around 9% on the £85 billion passing between the richest generations each year, or 0.1% of the total wealth of this group. At this rate it would take a thousand years of taxes to reduce the wealth they own from £8.2 billion down to £0 billion.

Background: the economy.

Official GDP growth was one of the stronger growths in the G7 set of countries. It rose by 0.6% in Q1 and by 0.8% in Q2. The growth continued in August, rising at an annual rate of 2.1%, the fastest since 2022. Most of the growth was due to profit growth in the non-financial sector, not personal income growth. VAT data, the most reliable indicator of personal consumption, confirms this. From June 2025 to June 2026, aka a comparable period, total nominal VAT rose by just 0.7%, well below the RPI inflation rate of 3.0%.

House building remained in the doldrums. In the twelve-month period ending June 2026 167,860 homes were built down from 169,990 the year before. (The OBR has higher figures.) Of these

homes a quarter were built by housing associations. That is well below the government target of 300,000 homes p.a.

Government finances improved over the course of the year. To date the deficit is down by 8.2% this financial year, due to a combination of higher taxes which rose in real terms by 1.7% compared to a rise in [expenditure of only 1.2%](#) despite a double-digit increase in interest payments. In terms of figures, when comparing the first 9 months of 2025 to 2026, the deficit fell from £112.4 billion to £90.7 billion. However, despite this improvement the markets decided to fire a shot across the bow of the Chancellor before the budget. *“LONDON, Oct 27 (Reuters) - Britain sold £4.5 billion (\$6.0 billion) of 5-year debt on Tuesday, paying an average yield of 5.036%, the highest since 2008, and showing the bond market pressure on finance minister John Healey before his first annual budget on Wednesday.”*

Another two bright spots were business investment driven by AI which increased by 1.8% in the last quarter and exports by 4.2% yoy. All of this is of course contingent on the AI bubble continuing.

The budget itself.

The first thing to note was that there was less braying in parliament by the opposition. Could this be due to the chancellor being male again? The Labour Chancellor began, as was expected of him, to pledge fidelity to his masters, the capitalist class, by promising fiscal rectitude and discipline, he would be their loyal accountant. He made sure parliament knew the exchequer was safe in the Chancellor's hands, that he would abide by the rules. In fact, he promised the deficit would be eliminated in three years' time. His AI must be hallucinating.

He spoke at length about the turmoil in the world caused by the wars and how unpredictable the future was. That despite this the UK economy was one of the best performing economies in the G7 thanks to the Labour Party's stewardship and the previous Chancellor.

Then he adopted a heroic stance, he was going to buy breathing space for ordinary people in this troubled world. He threw £150 at the cost-of-living crisis in the form of energy support for families who on average have seen their energy bills rise by £550 this year. Where has that £550 gone? Into the pockets of the energy providers. Did he propose a windfall tax on the energy providers, of course not. He did however, with much bravado, double the surcharge on the banks from 3% to 6%. That is likely to raise £1 billion, equal to 3% of the profits the banks make and also 3% of the interest the Bank of England pays the banks for parking their reserves risk free with it amounting to £33.4 billion. What the one hand giveth the other taketh.

The Chancellor insisted taxes were not going up as he handed out his titbits. That is simply not true. The freezing of tax bands means the median taxpayer will be paying an extra £981 this year which is much more than the combined handouts being offered.

Then it was from hero to venture capitalist complete with cape, from breathing space for consumers to heaving space for capitalists and potential capitalists. He started talking and talking about entrepreneurship and innovation, spending twice as long on the subject. Again, a raft of support for setting up and nurturing businesses amounting to much more than he provided to consumers. Perhaps that is why he spent twice as long outlining how he was going to turn

Britain from a nation of shopkeepers into a nation of AI entrepreneurs. We are in the age of innovation he declared, and it was the duty of government to keep Britain at the forefront of this revolution. More state intervention into the economy, a far cry from the neo-liberal '*hands off the economy*' stance in preceding years.

After that it was the obligatory pounding of the welfare system to clear the way for defence spending. Pensioners, despite tinkering with their tax bands, were to be £15 billion worse off by the end of the decade. Then it was the turn of benefit claimants. When a chancellor criticises the opposition, when in government, for being soft over a bloated benefits' budget it means he is going to come down harder on them. Similarly, he announced his offensive against public sector workers including in the NHS in the name of digitisation and efficiency. The AI revolution it seems is not so much about transforming workers' lives as unforming them.

Then it was the turn of defence spending, really offense spending. Russia was the bad man of Europe and needed to be stopped. Defence spending would rise faster than at any time since the end of the Cold War he celebrated. Just as well he had cut pensions earlier to pay for it or alternatively for the additional £13.5 billion pledged to Ukraine this year in aid and loans. No emphasis about making Britain safer against the heat through building resilience mind you. Adds more weight to the slogan the enemy is within and talking in Parliament.

Burnham would have been disappointed with the Chancellors' proposals for housing despite a promise to review home building next year. A mere £5.7 billion, enough to finance around 10,000 homes while offering hope to 70,000 first time buyers. That will increase the rate of home building by less than 10%, and at this rate, it will take a dozen parliaments to achieve Labour's pledge to build 1.5 million new homes. So much for Burnham's centrepiece, which now lies shattered at his feet, as with every other Prime Minister before him.

The Office for Budget Responsibility Report (OBR)

Together with the Treasury the OBR's assumptions and calculations form the basis for the Chancellor's Budget. The OBR's perspectives are more miserable than its previous report. "[*Real GDP growth*](#) slows from around 1¼ per cent in 2026 to 1 per cent in 2027 – the latter around a ½ percentage point lower than the March forecast." "*The rise in interest rates and increase in the inflation forecast leaves pre-measures borrowing an average of £11 billion per year higher than in March.*" In fact, the OBR admitted it did not know what it was talking about and that the economy could go either way. "*The outlook for the economy and public finances is uncertain, with significantly better or worse outcomes of broadly equal probability.*" This is the only honest thing said all afternoon. It acknowledges that the fiscal margins it proposes may fail because of the "*inherent risk and uncertainty around any medium-term fiscal forecast*" to which we may add, especially at this time. One wonders why it has bothered to prepare this report in the first place.

On page 13 it projects a fall of about half a percent in *Real Household Incomes* despite its projection of higher productivity growth due to AI. It the extra taxes stupid. Then its GDP forecast turns from a line into a fan of possibilities on page 15. Interest payments are expected to be £15 billion more this financial year enriching the bankers at the expense of the taxpayers. Still the OBR is complacent about the deficit outlook; it still expects the budget deficit as a share of GDP to fall. It knows it can count on Labour to make the necessary cuts to spending which is outlined on

page 18 amounting to 1.5% of GDP over three years. Already in Q2 there was the first of the fall in spending.

Conclusion.

There is not much more to add. The Chancellor provided enough giveaways to broad sections of society to fuel numerous headlines. It is unlikely to damage Labour's approval rating. And if it does, the new Chancellor's defense will be his 10-year plans covering housing, health and social care to be finalized and implemented in 2027.

Not much money was moved despite how often it was moved. The Treasury is poorer by only £8 billion, far less than is moving over to the Ukraine. This small amount of help will not improve the lives of Brits; it will merely slow down the fall in their standards of living. In every way it was the least a chancellor could do in the face of the global turmoil facing him while still protecting the interests of the capitalist class. It was a class act, but not a working-class act.

Brian Green, 28th October 2026