International
Longevity Centre UK

ILC Autumn Budget briefing 2026

The bridging Budget – signals of hope but the urgent work lies ahead

Overview

This was a largely a bridging Budget, broadly maintaining public spending on its current path with a few hand-outs including for affordable housing and rough sleepers and a few piecemeal tax rises to ensure a small amount of fiscal headroom by the end of the forecast period. Whether the government has given itself enough fiscal breathing space given ongoing geopolitical uncertainty remains to be seen and overall, our public finances remain in a precarious position.

There was a fair amount of signalling of wider changes to come on devolution, social care, rewiring the state and defence. And there was the first official estimate of how adapting the triple lock can support greater long run sustainability. This was all broadly positive. On the proposed 10-year plan to rewire the state, we were pleased to see ring fenced prevention spending mentioned as one of the three core priorities for the upcoming 10-year plan. But the detail on how those big public policy beasts and public service reform will be tackled has, as expected, been left to the Spending Review in 2027.

With the new leadership only 100 days in, there is good reason for a heavy dose of consistency in public policy direction for now. The government needs time to work through the fiscal trade-offs, wary of avoiding a Liz Truss-style calamity with our debt interest payments so high and the markets watching our every move so closely. But the reality is that we can't afford to repeat the trick of papering over cracks and deferring tough spending decisions to future parliaments which may never happen. The hard work has yet to come, but at least this government seems to know it.

In this briefing paper, we review how the 2026 Autumn Budget responds to the challenges and opportunities of demographic change against the context of an uncertain and challenging macroeconomic and fiscal context.

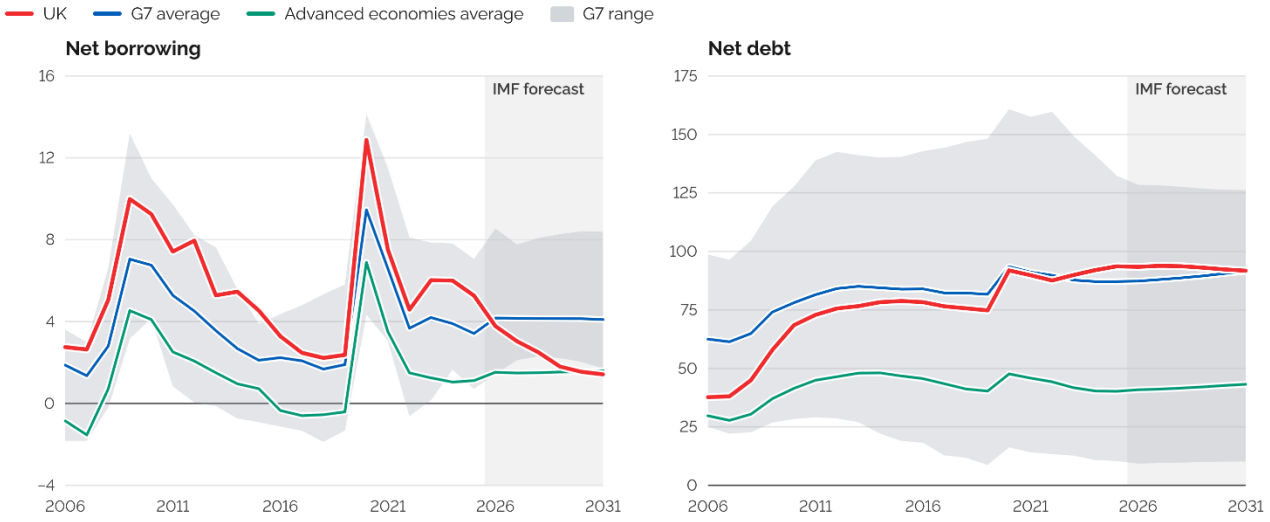
A challenging macroeconomic environment, and big decisions to address our tight fiscal environment largely deferred

The UK's fiscal position remains challenging. Yes, the forecast path of net debt is expected to be stabilised by the end of the forecast period, but that is still around 100 percent of GDP with net interest payments over £100bn per annum. There is also substantial uncertainty around the forecast given ongoing geopolitical risks.

- The Office for Budget Responsibility (OBR) outlook shows UK government debt as a share of GDP has increased by more than in any other G7 economy, rising from 38% in 2006 to reach 93% in 2026.
- The cost of servicing this debt has also increased sharply recently – from 1.7% GDP (£39 billion) in 2019-20 to 3.5% of GDP (£109 billion) in 2025-26.
- The forecast shows government borrowing falling over the remainder of the forecast period, but the UK's debt path is highly uncertain and sensitive to interest rate changes.
- A 1% change in interest rates could raise or reduce government debt interest costs by £16 billion.
- Moreover, the expected impact of policy decisions at this budget on net borrowing only reduce borrowing from 2029 and the biggest reductions are in 2030-31. It effectively kicks the can down the road for major decisions on ensuring our longer-term fiscal sustainability.

Figure 1: General government net borrowing and net debt in advanced economies, 2006–2031

Per cent of GDP



Note: Figures for 2006–2025 are IMF outturn; 2026–2031 are IMF forecasts. Borrowing and debt exclude public corporations. Averages are unweighted and exclude the UK. The shaded band shows the range across G7 economies excluding the UK. Advanced economies are as defined in the IMF *World economic outlook*.
Source: IMF; Office for Budget Responsibility, *Economic and fiscal outlook* – October 2026, Chart 1.1.

Source: OBR's Economic and Fiscal Outlook October 2026

The economic outlook is dominated by anticipated energy price rises which is feeding into higher borrowing costs for government and households. Growth bounces back towards the end of the forecast but the OBR numbers seem optimistic relative to the sluggish post financial crisis trend.

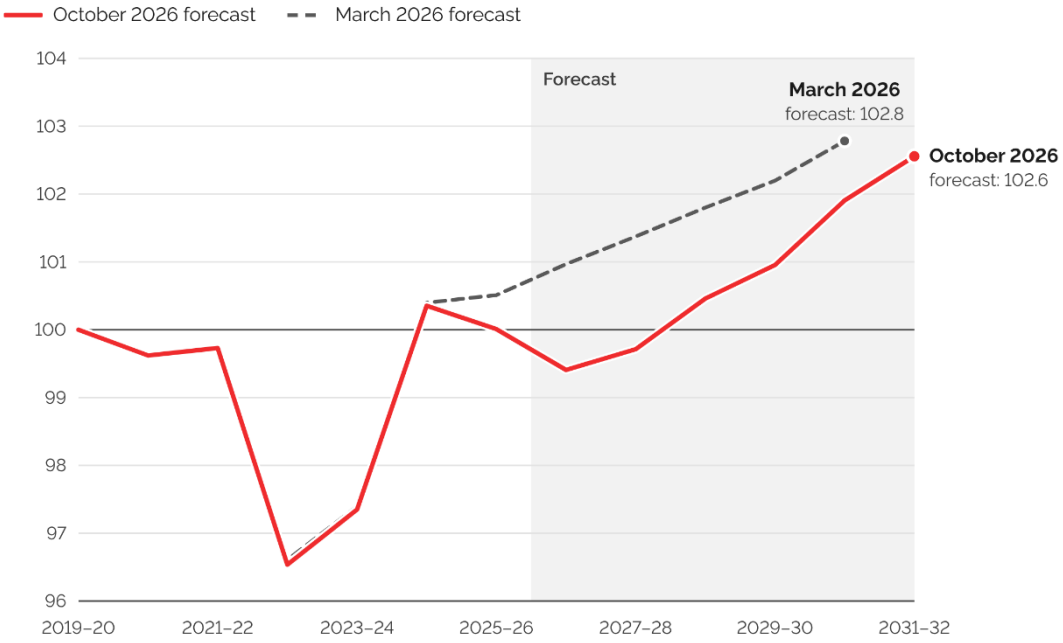
- Despite comparatively good news that the UK economy grew more than any other G7 economy in the first half of 2026, the medium-term economic forecast is dominated by energy prices. Higher energy costs feed into a significant downward revision in household incomes relative to the March 2026 forecast. This is going to be a hard year for living standards.
- The inflation outlook means the bank rate and gilt yields are expected to be higher – the cost of borrowing is increasing for government and households. This is particularly a

challenge for the UK where gilt yields have been persistently the highest amongst G7 nations.

- Higher energy costs also feed through into lower forecast GDP per capita growth in 2027 (0.9%) before growth rebounds at the end of the forecast period.
- Even with a potential AI bounce though, the growth assumptions in the OBR's forecast look optimistic – with GDP per person forecast to rise to an arguably heroic 1.6% by 2029.
- Labour supply growth is expected to significantly slow after the end of this year –- from 1.1% in 2025 and 0.7% in 2026 to 0.3% in 2028 and 2029. This highlights a long run supply side growth challenge – we will need more workers particularly in the context of an ageing population. The Budget mentioned more support for younger workers – including further action on apprenticeships –- but not much else to drive labour supply across all of the workforce.

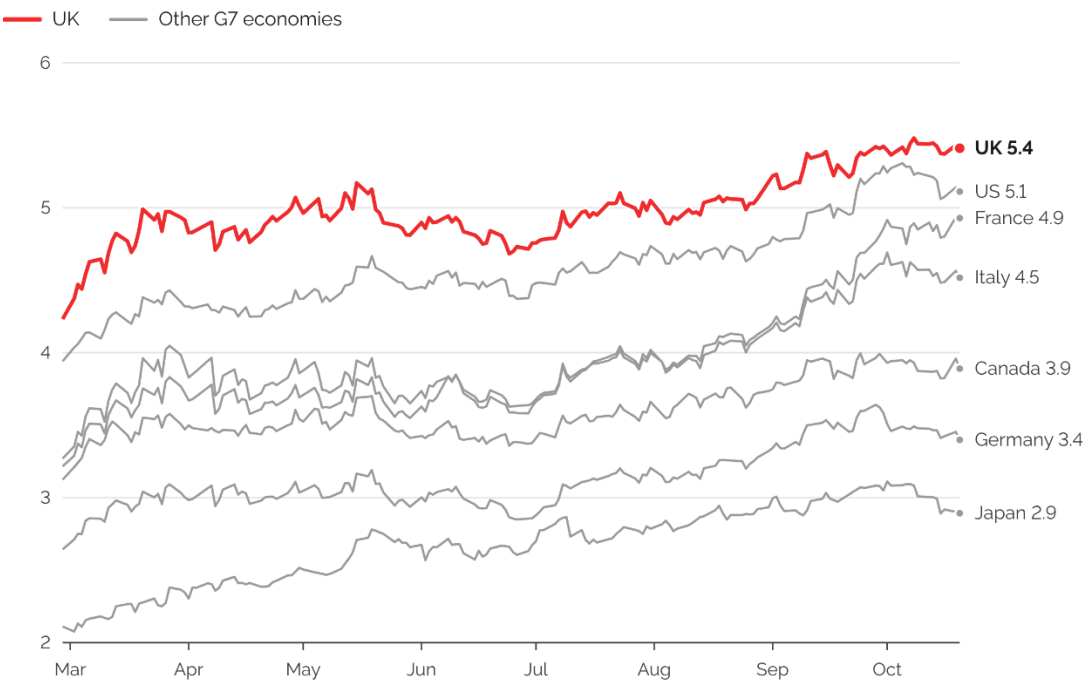
Figure 2: Real household disposable income per person, 2019–20 to 2031–32

Index, 2019–20 = 100



Note: The y-axis does not start at zero. Shaded area shows forecast years. The March 2026 forecast runs to 2030–31.
Source: ONS; Office for Budget Responsibility, *Economic and fiscal outlook* – October 2026, Chart 1.5.

Figure 3: Nominal 10-year government bond yields in the G7, 2026



Note: Daily data from 27 February 2026 to 20 October 2026. Labels show yields on 20 October 2026. The y-axis does not start at zero.
Source: Bloomberg; Office for Budget Responsibility, *Economic and fiscal outlook* – October 2026, Chart 2.3.

Health and prevention: ringfenced prevention spending is potentially transformative

Preventing poor health outcomes and managing health conditions to prevent further deterioration is crucial for realising the benefits of longer lives. Effective primary and secondary prevention will support wellbeing, reduce pressure on public services and enable more people to participate in the economy for longer, delivering lasting economic and social benefits.

What the Budget says:

- The government will introduce a new category of ringfenced spending at the spending review in 2027, preventative department expenditure limits (PDEL) to help facilitate shared resource and accountability across Budget holders and help protect programmes that generate benefits over the longer term.
- The government will publish a revised Green Book on government appraisal, reducing the discount rate on future benefits from 3.5% to 3% to strengthen the case for transformational projects.

What it means:

- The fiscal cost and potential return of PDEL is not yet clear and much will depend on how prevention is defined. As the government has not yet introduced ringfenced prevention spending, it is not incorporated into current OBR spending forecasts.
- But it could help ensure that prevention isn't the first thing to be cut when government's face severe fiscal constraint and that we could borrow to invest in prevention when fiscal

circumstances allow, similar to how governments can borrow to invest capital and infrastructure projects.

- Changes to the Green Book discount rate are welcome and significant, as they increase the value of longer-term impacts, and will improve the net present value of projects with long term benefits. However, transformational benefits are best captured through qualitative assessment of the economic theory and strategic rationale behind the investment proposal, rather than a reductive single figure. 'Long term' is also limited to 10 years as the Green Book generally recommends a 10-year appraisal period. 'Long term' is also limited to 10 years as the Green Book generally recommends a 10- year appraisal period.

Upcoming analysis:

Upcoming modelling from ILC on the economic and fiscal dividend from improving healthy ageing will estimate the fiscal implications of changes to spending on health, care and welfare across G20 countries.

Pensions: reforms left to separate commissions and mid-life workers missing from policy

The Budget includes assessment of the Triple Lock adjustment from April 2030. Savings will come decades later and mostly come from those their 40s and 50s today. As we know, other big reforms are deferred to ongoing reviews. And there remain different timetables for major reforms to pensions, social care and State Pension Age risking a failure to join up government decision making across highly related areas.

What the Budget says:

The triple lock

- This has already been announced with Department for Work and Pensions (DWP) analysis of the potential savings and impacts. As trailed, the full Triple Lock stays until April 2029. After that, the State Pension rises by whichever is highest of inflation, 2.5%, or the amount needed to keep its value relative to earnings at the April 2029 level. The government estimates savings of £15bn a year by the late 2030s and £50bn a year by the late 2040s.
- Removing the earnings ratchet does improve long run sustainability. But the change starts after the next election and is not in the official Budget costings table, which indicates savings in the next Parliament are likely to be small.
- Today's pensioners are largely protected, and the cost of the change in uprating falls on future retirees. Pensioners get the full Triple Lock to 2029 and a new Pension Tax Allowance from 2027 to 2030. The savings are therefore most likely to come from people now in their 40s and 50s.

Little on adequacy for people approaching retirement

- There is nothing on auto-enrolment contributions, coverage or under-saving, which waits for the Pensions Commission in February 2027.
- The private pension measures are technical. They support the new retirement income options (Guided Retirement, retirement-only CDC) and seek to tidy up death benefits and access for terminally ill people. None addresses how much people save.

- Decisions are being made separately. Uprating has been settled before the State Pension age review, which is due in spring 2027 at the earliest. Pension age, private saving adequacy and social care funding are all on separate timetables despite being highly related with one another.

UK investment by pension funds: an aim without new levers.

- The Budget repeats that the voluntary Mansion House Accord should unlock about £25bn for UK private markets. Its concrete steps are enablers of scale such as tax changes to support DC consolidation and local government pension scheme pooling. There is nothing new to get that investment flowing, and no link is made between investment returns and whether savers end up with enough for retirement within the Budget documents.

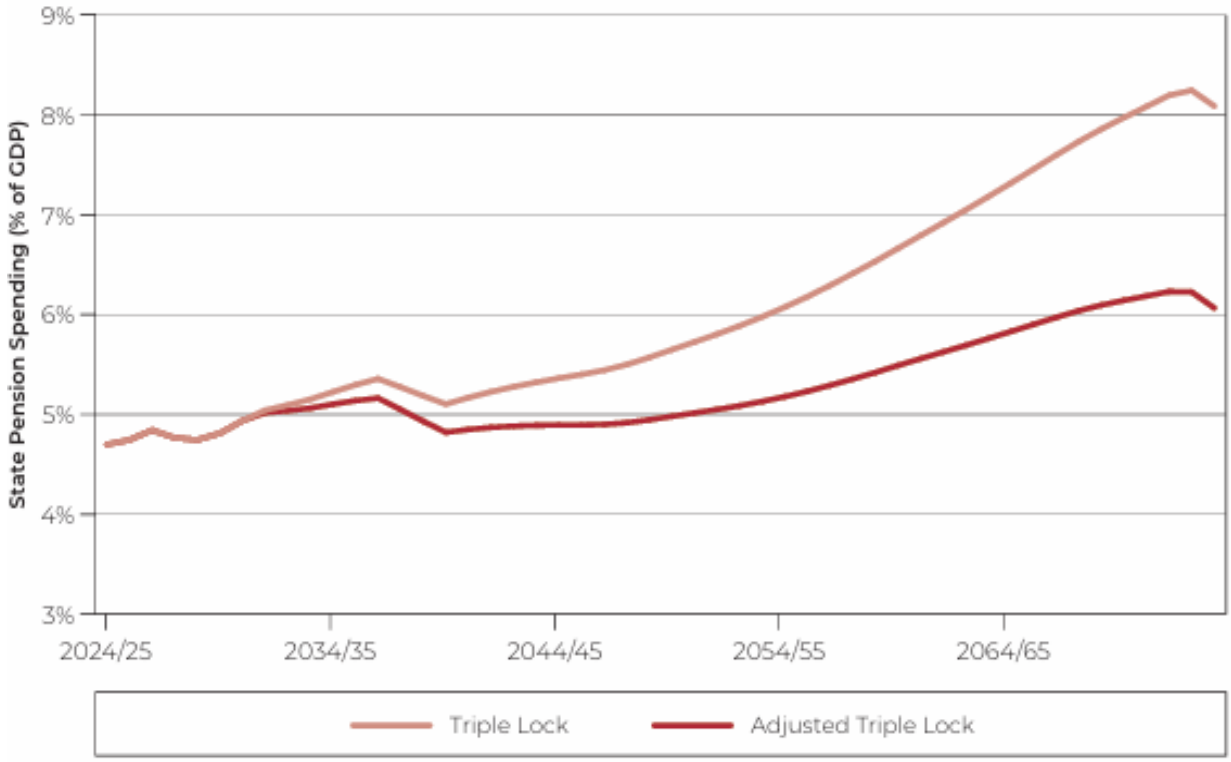
What it means:

- Extending working lives is a big missing piece from the government's policy activity in this space with no mention of employment amongst the over 50s anywhere in the Budget documents despite the need for supply side growth and the interaction with pensions and social care reform.

Relevant reading:

ILC recently published on the importance of understanding retirement transitions and the interrelationships between work, pensions and care.

Chart 5.A: This adjustment significantly improves the long-run sustainability of the State Pension



Source: Department for Work and Pensions.

Social care: How much social care reform the triple lock pays for depends heavily on inflation, economic growth and policy design

- Prevention is a driver of healthier, longer lives. Adult social care is part of that effort. It supports people to stay well in their communities, eases pressure on the NHS, and builds the local capacity that prevention depends on. The Prime Minister, Andy Burnham, has made social care reform one of his defining missions, committing to a National Care Service built on NHS principles, with personal care, free at the point of use.

What the Budget says:

- There is little additional policy detail in this Budget, this is expected in Baroness Casey's review of social care, which is now expected in 2027.
- The government will adjust the Triple Lock on the state pension to help pay for a new 'preventative' National Care Service and personal care that is free at the point of use as part of a comprehensive reform of the UK's social security system.[1]

What it means:

- The government's commitment to reform and expand state provision of social care system is noted as a key risk to the fiscal forecast by the OBR, who highlight that the overall cost depends heavily on as yet undetermined policy design.
- Whether the adjusted triple lock pays social care reform depends on how inflation and GDP grow, as well as on policy design. The OBR have estimated that spending on social care as a share of GDP will rise by 1.2 to 1.8% over the next 50 years, but this is predominantly based on increasing demographic pressures due to ageing and doesn't factor any major policy change.
- ILC's *Home Truths* report underlines the need of careful policy design to avoid overwhelming demand for services. Germany's 2017 eligibility reforms brought more than 2.3 million additional people into support within three years, revealing needs that had previously gone unmet.

Relevant reading:

- The ILC has released two papers on social care in recent months; Home truths and inequality street with our partners the Joseph Roundtree Foundation and Hallmark Foundation. These look at what Australia, Japan and Germany can teach us about social care reform and what ILC's Better Lives Index can tell us about the differences in social care provision between places.

Devolution: Borrowing powers and capacity support welcome but detail on equalisation crucial for translating devolution into higher living standards

- ILC's Better Lives Index reveals stark and persistent inequalities in health, wealth and opportunity between places. Between 2016 and 2021, over 550,000 excess deaths were linked to geographic inequality. Reducing these inequalities is therefore crucial to ensuring that longevity is an opportunity for communities across the UK.

[1] Taken from the HM Treasury Budget 2026, Breathing Space for Today Fresh Hope for the Future, p.94. See here.

- Andy Burham has made regional devolution in England a central pillar of his premiership in a bid to boost growth and living standards outside London through more targeted decision making and integrated public services. This builds on and expands the progress of previous administrations, including the English Devolution and Community Empowerment Act 2026, which was enacted in April 2026.
- Burham set out a devolution package on 31 July 2026 that included fiscal devolution measures: mayors will keep part of locally raised income tax from April 2028 and business rates from 2027, replacing grant funding. They are also set to get more control over local transport and over 16–19 technical education routes. More detail was expected at this Budget.

What the Budget says:

- Healey confirmed the government's commitment to full devolution coverage by the end of 2028 and the pre-announced 'roadmap' towards greater fiscal devolution.
- Mayors will gain more finance raising powers from 2027, with an Overnight Visitors Levy, local retention of business rates and a share of income tax by the end of the decade.
- The first wave of Mayoral Strategic Authorities (MSAs) including places like Greater Manchester, East Midlands and Hull and East Yorkshire will retain 20% share of local business rates from 2027 and MSAs will have borrowing powers from 2028-29, supported bespoke £1.5 billion borrowing facility.
- Healey also announced "Good Growth Funds" for places with mayors, and "incubator capital" for areas without mayors to enable places to align different funding tools for investment in local growth.
- Importantly, the Budget also included £285 million in 2027-28 for capacity building to support places with a mayor in place to establish Good Growth Funds and £120 million of incubator capital funding for areas transitioning towards a devolution deal or strategic authority status.

What it means

- The government has promised "good growth in every postcode" and there is live debate as to which 'Manchester Model' has already demonstrated the link between devolution and growth. Analysis from the Productivity institute finds that Greater Manchester has outperformed the UK average on growth according to official data, but that there are concerns about data reliability and the weak transmission of productivity gains into earnings and incomes.
- The OBR forecast shows growth in real household disposable income slowing this year and remaining stagnant over the forecast period, raising questions over the ability to meaningfully raise living standards across the country.
- In the Fiscal Devolution Roadmap, ILC would like to see further detail on how the government will ensure that greater devolution leads to improved living standards across the country including the plan to deal with the differences in revenue raising powers between places through equalisation payments.
- ILC's latest working paper on social care finds that councils in the bottom fifth of our Better Lives Index are struggling to raise local finance for social care and suggests that the government deepen equalisation payments to ensure that funding follows need.

Relevant reading:

- Rosie Fogden, Director of Health and Economic Growth at ILC, sets out why the current wave of devolution to English mayors matters for prevention and healthy ageing in her ILC blog. ILC's UK Better Lives Index brings together robust, UK-wide data to show the best and worst places to be born, grow up and grow old. It reveals how place continues to shape health, opportunity and ageing – and where change is most urgently needed.

Housing: New social housing developments must be age-friendly and include specialist older people's housing to free up supply across the system

- ILC research consistently shows that living in the right housing, as we age, is one of the most powerful levers for better health, greater independence, and reduced pressure on the NHS.
- Our housing stock is unprepared for an ageing society; 2020 polling found that 25% of over 65s would like to downsize but feel they have no choice but to 'stay put' due to a lack of suitable options. Under occupied large family homes make up a large portion of the UK's housing stock, and without suitable alternatives for their older residents, these homes are unlikely to go back to market.

What the Budget says:

- An additional £1.5bn will be spent to deliver around 10,000 homes in England, with priority for Social Rent, particularly new council homes. A new VAT relief on land sold to registered social housing providers will be implemented; to speed up the construction of social housing and more support will be given to Local Authorities to deliver new housing developments.
- The Budget has committed to a 'Your First Home' scheme to support first time buyers. This will establish a new first time buyer ISA, and a £4.7bn government backed equity loan scheme which will provide government funded loans to first-time buyers who would not otherwise be in a position to purchase a property and who are buying newbuild homes.
- It also removes regulatory barriers to encourage housebuilding, including biodiversity regulations, and ensures no new planning regulations are implemented during this parliament - unless pertaining to building safety.

What it means:

- The OBR predicts the 'Your First Home' equity loan scheme could marginally raise house prices by stimulating housing demand and that net additions to the housing stock will fall in upcoming years, before increasing in 2030-31.
- While government promises to support first time buyers are welcomed, ILC has long since called for more government assistance for last time buyers. Older buyers, whose needs are no longer served by large family homes, often find themselves without suitable housing options to move into, or without the funds or incentive to facilitate a move.
- The government's commitment to new social housing could be a positive step for last time buyers, but age friendly and specialised older people's housing needs to be prioritised as part of this promise in order to 1) realise the health and prevention benefits of suitable housing and 2) free up local housing supply.

- The government's upcoming response to the Older Person's Housing Taskforce's 2024 report will shed new light on government's policy direction. ILC would like to see taskforce recommendations embedded into plans for new social housing.

Upcoming analysis:

- ILC will be launching our own report, *A design for Life: Addressing the housing needs of an ageing population,* in the new year, based on in-depth discussions with academics, politicians and industry leaders from the housing, social care and financial services sectors.

Acknowledgements

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