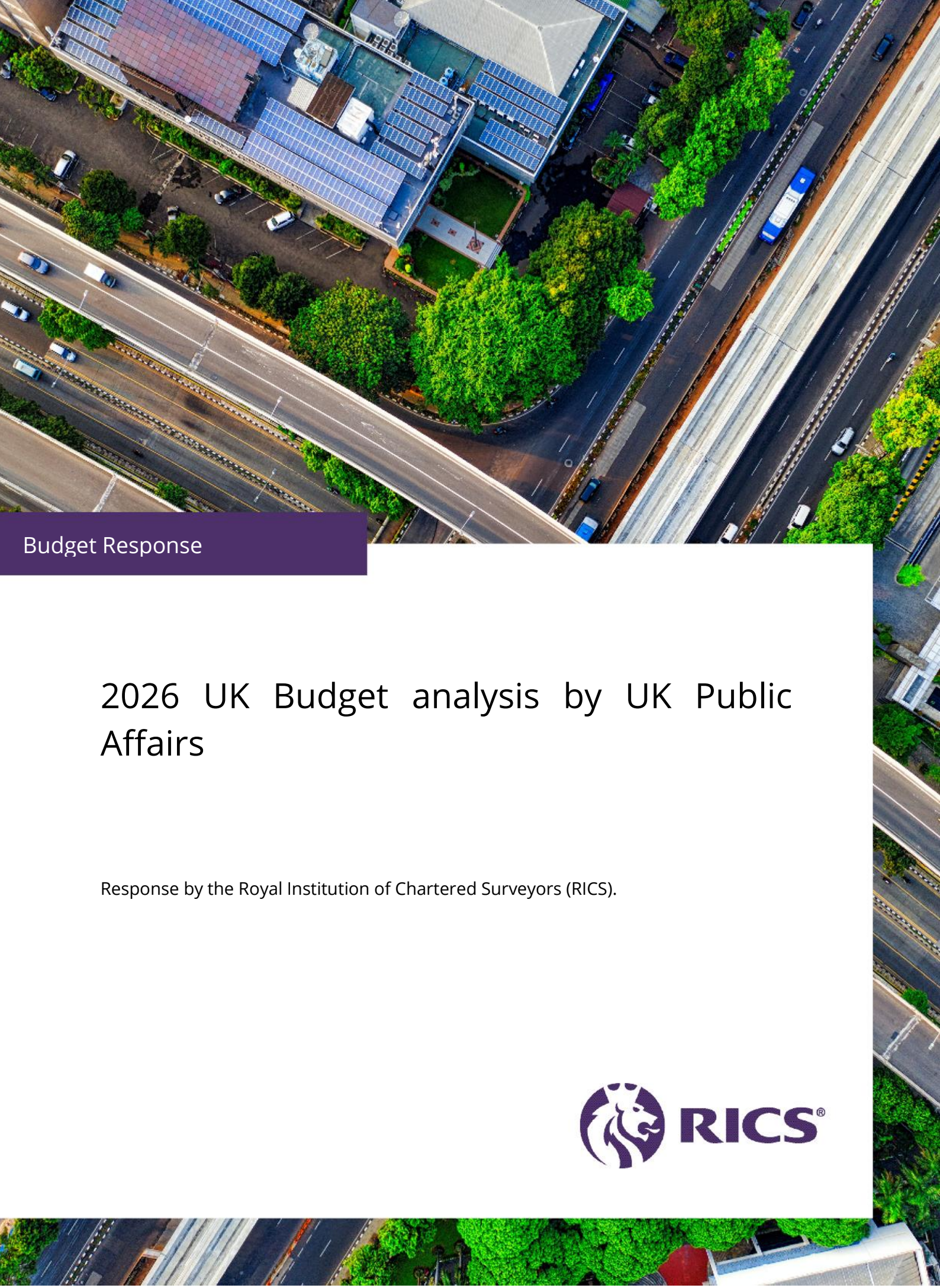

Budget Response

2026 UK Budget analysis by UK Public Affairs

Response by the Royal Institution of Chartered Surveyors (RICS).

Budget response

Introduction 3

Key announcements for surveyors 3

Housing 6

Business rates and high streets 7

Planning and regulation 9

Infrastructure and land 10

AI and data centres 10

English Devolution 11

Sustainability and retrofitting 12

Skills and next generation 13

Next steps 15

Introduction

Going into the 2026 Budget, RICS set the Government a simple test: will this Budget improve viability, unlock investment and increase supply? We wanted to see practical measures that remove barriers to housing delivery and ownership, address skill shortages across the built and natural environment, and support meaningful business rates reform. At a time of economic uncertainty, businesses and developers need confidence and stability to invest, create jobs and deliver the homes and places communities need.

The Budget contains some welcome measures, including new support for first-time buyers, direct support with energy bills and some support for high street businesses. There were more mixed announcements on Biodiversity Net Gain (BNG) changes, and an opportunity to deliver more comprehensive business rates reform was missed.

However, significant challenges remain. The Office for Budget Responsibility (OBR) now forecasts 190,000 fewer additions to housing stock between 2027 and 2031 than anticipated in March, underlining the scale of the problem still facing the sector.

On viability, the pause on new regulations impacting housebuilders, including a promise not to introduce any new building regulations in England (with the exception of any that are building safety related) demonstrates that policymakers are listening to RICS and the wider industry on the viability challenges and the policy levers that need to be pulled to get projects moving and increase the pace of delivery.

The Your First Home scheme represents a significant government intervention in the housing market, to stimulate demand and boost housing supply. RICS recommends its expansion to enable the purchase of both new build and existing homes, which would support both developers and more aspiring homeowners across every part of the country.

Overall, there is a clear willingness to remove barriers to growth and support development, but without sufficient investment in planning capacity, skills and labour supply, increased demand risks driving inflationary pressure through the housing market rather than translating into additional housing delivery. The Budget therefore represents uneven progress against RICS' tests of viability, investment and housing supply.

Key announcements for surveyors

For surveying professionals, the Budget presents a mixed picture. On the one hand, it introduces measures that should support activity across housing, infrastructure, regeneration and data centre development. On the other, continued skills shortages, reduced retrofit funding and a weaker housing supply forecast

highlights ongoing delivery challenges. Overall, the Budget creates new opportunities for surveyors involved in residential development, affordable housing, infrastructure, planning, valuation, regeneration and rural land management, while also providing some practical support for SME businesses.

What this means for the built and natural environment

- **Housing demand receives a significant boost** through the £4.7 billion Your First Home equity loan scheme and the new First Time Buyer ISA, which could stimulate residential market activity and increase demand for valuations, development consultancy and residential surveying services.

- **Additional affordable housing investment** of £1.5 billion takes total investment in the Social and Affordable Homes Programme above £40 billion, creating opportunities across development, project management, cost consultancy and valuation work.

- **A pledge of no new building regulation** is designed to provide greater certainty for developers and investors, with the Government committing not to introduce new building regulations during this Parliament except where required for building safety.

- **Relaxation of Biodiversity Net Gain requirements** for smaller residential brownfield developments could improve viability and accelerate delivery, although implementation will require careful consideration of environmental outcomes.

- **An upcoming Infrastructure Pipeline worth more than £725 billion over ten years**, providing longer-term certainty for professionals working across infrastructure, land, construction and project delivery.

- **Commitments on business rates support and high street regeneration**, including a £210 million pledge to help revitalise derelict high-street buildings and further support for the retail, hospitality and leisure sector on their business rates.

- **Investment in AI, data centres and digital infrastructure** is expected to increase demand for specialist advice on land assembly, planning, valuation, energy infrastructure and development viability.

- **Greater fiscal devolution** and enhanced powers for mayors and strategic authorities could create additional opportunities for place-based growth, regeneration and infrastructure projects across England.

What this means for businesses

Surveying firms, particularly SMEs, should be aware of several changes that could affect their operating costs and finances:

- **National Living Wage and National Minimum Wage rates will increase by 3.9%**, increasing employment costs for firms with support and administrative staff.

- **Tax-free mileage rates will be increased from 45p to 55p**, benefiting surveyors who regularly travel to inspections, client meetings and construction sites using their own vehicles.

- **Fuel duty will remain frozen and the 5p cut extended until July 2027**, helping offset business travel costs.

- There are **no increases to the headline rates of VAT, National Insurance or corporation tax**, providing greater certainty for business planning.

- Surveying practices should be aware of changes for clients in retail premises or operating in mixed-use town centre locations who may benefit from wider **business rates relief measures**, while the abolition of Valuation Tribunal appeal fees will be welcomed by rating specialists and their clients.

- **Additional apprenticeship funding** and support for local apprenticeship services may help firms recruit and develop new talent at a time of persistent industry skills shortages.

Housing

The Budget contained a number of measures to support access to housing and address growing viability and affordability concerns. Following the announcement of Your First Homes earlier in the Autumn, the Government has announced a subsequent new ISA for first time buyers, a relaxation on biodiversity requirements for brownfield sites, and additional investment into social and affordable housing.

Despite a range of interventions to stimulate housing demand, the OBR October 2026 Economic and Fiscal Outlook (EFO) has forecasted 190,000 fewer new additions to housing stock between 2027 and 2031 compared to its March 2026 estimate.

First-time buyer support

The previously announced Your First Home scheme will enable first-time buyers to access 20% equity loans, with a five-year interest-free period. The minimum deposit will be set at 2.5% with a maximum of 15%. Household income limits will also apply, with caps in London set at £140,000, and £110,000 outside London. The Government will open the scheme for pre-registration by the end of the year.

The Budget provides further support for aspiring homeowners through the introduction of a new First Time Buyer ISA product designed to help new buyers build their deposits more quickly.

To truly benefit first-time buyers, RICS has been calling for support to purchase both new build and existing homes, building on the recently announced Your First Home scheme and while we await details of property eligibility for the First Time Buyer ISA, it is an encouraging step.

High value council tax surcharge

Despite wide speculation that the Government was considering extending HVCTS to properties worth more than £1.5m, it is to remain at £2 million. The HVCTS, dubbed the Mansion Tax, will apply from April 2028. It remains unclear how this policy will be delivered in practice.

Social housing delivery

A further £1.5 billion was announced to support the Social and Affordable Homes Programme, which now has total investment of over £40 billion over a 10-year period. The funding is set to be allocated between 2027-28 to 2030-31. The combination of additional affordable housing funding and borrowing flexibility

for local authorities should support delivery, although labour shortages and viability pressures remain significant constraints.

Local authorities will be supported through a one-year extension to the preferential rate from the Public Works Loan Board (PWLB). The total amount of loans that the PWLB can issue will also rise to £155 billion from £135 billion, with an option to increase to £175 billion in the future via statutory instrument. Debt relief is also being provided to councils in severe financial distress for debt owed to the PWLB.

A new VAT relief will be applied to land sold to registered social housing providers to expedite the construction of social housing. Permitting VAT relief at sale – rather than at foundations - will reduce risk and cost to RHPs and should unlock development.

Property income tax and rental sector impact

Property income tax will rise again by a further two percentage points, following a two-percentage-point increase last year. This will come into effect from 6 April 2027, with the basic rate reaching 24%, the higher rate reaching 44% and the additional rate at 49%. This further increase will impact smaller landlords and increase the risk that they exit the PRS market at a time when supply is already low.

Business rates and high streets

The breathing space the Budget offers to some businesses will be welcome. However, the UK already has one of the highest property tax regimes of all OECD countries. Rather than a fully reformed system that is reflective of economic circumstances across the range of non-domestic asset types, reform in recent years has focused on minor changes that largely relate to process and administration.

Improving high streets and reviewing reliefs was an early priority of Prime Minister Andy Burnham's premiership. While the Retail, Hospitality and Leisure (RHL) sector will welcome further support, other sectors and companies in occupation of significant amounts to physical real estate will continue to face steep rates, and are also impacted by the higher multiplier.

Business rates reform

The Government is increasing the relief for pubs, social clubs and the majority of live music venues (excluding venues with a rateable value (RV) of £1 million or above) from 1 April 2027, with a further reduction of 20% announced.

Eligibility for Small Business Rates Relief for RHL will increase as the threshold for 100% relief rises to a RV of £18000 from £12000 from 1 April 2027. This change is projected to exempt an additional 70,000

businesses from business rates next year. The threshold for tapered relief will rise to £21,000. For RHL businesses that continue to pay business rates will see their rates frozen for two years in real terms, with the rate of Machines Games Duty for higher risk machines increasing to 25% to help pay for it. Vape shops and adult gaming centres will be carved out of business rates relief from April 2027.

Greater emphasis is also being placed on ensuring online marketplaces pay VAT on sales, where businesses are making above £90,000 in sales. The policy will come into effect from October 2027 and will be reinvested to support business rates reductions.

The 1p Transitional Relief Supplement in England had been due to be removed in April 2027 but will be extended for a further two years.

The Government confirmed that it will abolish the £150 and £300 fees currently charged by the Valuation Tribunal in England for non-domestic rating appeals. Any fees already paid for appeals on the 2026 rating list will be refunded, as the abolition of appeal fees will apply to the 2026 rating list and future lists.

The business rates system needs meaningful and wholesale reform. This means in practice, reducing the burden of business rates administration, supporting the valuation and administration of business rates, improving professionalism in business rates services and incentivising sustainable investment.

High streets strategy

A new cross-government strategy to rejuvenate high streets, Hope on the High Street, has been published alongside the Budget, outlining ambitions including supporting strong businesses, vibrant culture, connectivity, safety and cleanliness, and active leadership.

The previously announced Community Assets Programme is a funding package, which amounts to £210 million and accompanies the Hope on the High Street strategy. It includes:

- Derelict Buildings Fund - £125 million investment to repurpose vacant units and restore civic pride.
- Regional Cooperative Development Programme - £10 million to back Strategic Authorities to boost their co-operative economy.
- High Street Rental Auctions - £10 million to accelerate the delivery of High Street Rental Auctions (HSRAs). HSRAs were introduced through new powers in the Levelling up and Regeneration Act 2023 but feedback from the commercial property sector has questioned their effectiveness so far.

- Community ownership funding - £65 million to support communities to take over buildings, with further information next year.

While targeted reliefs and support may offer short term benefit, they do not necessarily address the structural challenges that can limit long term investment and high street rejuvenation.

Planning and regulation

For England, the Budget commits to reforming planning and regulatory barriers, including pausing new building regulations, to accelerate development and increase the delivery of new homes.

Pause on changes to building regulations

The Budget confirmed that there will be no changes to building regulations for the rest of this Parliament. Exceptions will be made only to improve building safety, such as implementing the recommendations of the Grenfell Inquiry.

Consideration will be given to where regulations can be amended to facilitate development.

Removal of some Biodiversity Net Gain requirements

The Government announced the decision to remove BNG requirements from residential brownfield schemes up to 1.5 hectares in England while mandating it for Nationally Significant Infrastructure Projects from November 2026. Removing BNG on small brownfield sites reduces demand for off-site units, which could impact land managers and habitat providers. RICS believes the Budget's aim is to help support housing delivery by making it both cheaper and easier to build council and private housing.

While this may improve viability and accelerate delivery, it is important to ensure environmental outcomes continue to be secured through other parts of the planning system. Measures designed to increase housing delivery should complement, rather than undermine, progress towards environmental improvement and biodiversity recovery.

Better Regulation Executive

The Government will aim to save businesses nearly £800 million annually by cutting red tape and reducing regulatory pressures. A Better Regulation Executive will be established to steer a streamlined regulatory system.

Infrastructure and land

A number of announcements or previously announced infrastructure funding commitments were presented within the Budget, with the forthcoming updated Infrastructure Pipeline a core pledge. Overall, while some specific project announcements were made, this Budget had limited pledges for driving infrastructure growth.

Investment in infrastructure

The Government will publish an updated Infrastructure Pipeline before the end of the year. It will set out over £725 billion of planned investment over 10 years and an expected workforce requirement of over 650,000 people. It is hoped that this will provide greater certainty on the UK's infrastructure plans including its programmes, projects and funds.

The RICS Surveying Skills report 2026 provides recommendations to ensure we have the capacity to deliver this ambition. Infrastructure ambition relies on a strong skills pipeline.

Regulatory powers

The Regulating for Growth Bill, announced in May 2026, is intended to create regulatory sandboxes and faster technology approvals, which streamline the commercialisation of emerging modern tools. This will enable surveyors to test more innovative products and services, while working in close partnership with regulators to ensure safety.

It is expected to establish new powers that will help to expedite new technologies. A potential use case provided in the Budget focuses on more efficient approaches to the delivery of environmental regulation and the management of rural land and resources.

AI and data centres

The Budget made a number of funding commitments for cementing the UK's position as a world leader in AI safety research and providing support for AI start-ups. The core pledge was the newly announced Data Centre Covenant – which will see grid connection priority for data centres that protect jobs, water and improves local communities amid "strict tests that data centres must meet". The Covenant is focussed on lowering electricity bills, adherence to the highest environmental standards, job and apprenticeship creation, and strengthening Britain's AI security.

Giving data centres grid priority could push residential and other commercial schemes back in the queue for connections. This demonstrates the growing competition for power and reinforces the need for careful planning across housing, industry and digital infrastructure.

These developments will have significant implications for planning, energy infrastructure, valuation, construction and investment decisions, creating new opportunities for surveying professionals. However, it also comes with political risk, with data centre development already creating consternation amongst populations across the UK.

AI funding

The Sovereign AI Fund (SovAI), which backs British AI startups, was launched in April 2026. The £500 million fund is to be expanded with an extra £60 million in 2027-28 and 2029-30, with a new focus area announced - Physical and Industrial AI.

To support the UK's independent AI capability, £140 million will be invested in a Sovereign AI Unit.

English Devolution

As expected, devolution across England (and throughout the UK) was a core theme within the budget, with the major announcement centred on the Fiscal Devolution Roadmap - the increased monetary powers that local government, mayors and communities will have at their disposal.

Northern Growth Strategy

Through the Northern Growth Strategy, up to £7.8 million will be used to develop the Northern 500, a single growth community led by the Great North partnership of Mayors and supported by both central government and the private sector. This is as well as backing the North's bid to host the Olympic and Paralympic Games during the 2040s.

Fiscal Devolution Roadmap

The Government has published its Fiscal Devolution Roadmap, which will change how regional government is funded.

Mayors are set to retain 100% of business rates income by the end of the decade, as they are brought into the Business Rates Retention system from 2027-28, and will receive a share of income tax the following year.

The aim is to reenergise the devolution settlement, ensuring spending choices are delivered as locally as possible. Increased fiscal autonomy may allow strategic authorities to take a longer-term approach to local growth, infrastructure investment and regeneration, creating new opportunities for place-based development.

Rural proofing guidance

The Government is developing Strategic Authority rural proofing guidance in England, which is set to be published in early 2027. The aim is to guarantee that devolution works for rural places.

Sustainability and retrofitting

The emphasis has moved rapidly away from the core aim of decarbonisation and reaching the UK's net zero target by 2045. This Budget has moved the focus onto the cost-of-living crisis and being able to live comfortably in your home, with planned cuts (by the end of 2027 or sooner) to the gas standing charge on domestic energy bills in Great Britain, which follows the VAT cut on electricity announced in October. A commitment was also made to reform electricity standing charges, with further details to be published next year.

Cost of living support for energy costs

A headline announcement in the Budget, was a £100 payment in direct support to households for energy bills. The Household Energy Payment will be paid to those in council tax bands A to D in England as a council tax rebate, with devolved administrations urged to do the same. An additional £100 million of funding will support local authorities to provide targeted support to households severely affected by energy costs.

Retrofit and the Warm Homes Plan

The Department for Energy Security and Net Zero (DESNZ) is reprioritising its budget to contribute to the Defence Investment Plan. The Warm Homes Plan budget will be reduced by £1 billion. Hydrogen capital grants and carbon capture, usage and storage grants have also been cut, totalling £700 million. Cuts to the Boiler Upgrade Scheme were widely expected, but the scheme has retained its £400 million allocation (2027-28).

While immediate energy bill support should be welcomed, RICS is concerned by the move away from long-term planning to increase energy security and resilience in Britian's housing stock. Continued uncertainty around retrofit funding will inevitably slow progress towards improving the energy performance of existing

buildings and reducing fuel poverty, destabilising industry planning in this sector. Funds must be protected to help homes and businesses make the transition to more sustainable buildings.

In 2024, RICS introduced its Residential retrofit standard to equip the profession to deliver residential property advice to a high standard and according to consumer's evolving needs. Last year, the Climate Change Committee reported that residential retrofits would need to increase to a rate of 500,000 per year from 2025, and one million per year from 2030 to meet the Government's net zero target. Our trial of the Residential Retrofit Surveying (AssocRICS) pilot pathway is a response to this workforce challenge.

Skills and next generation

The RICS Surveying Skills report 2026 sets out the challenges and opportunities facing the profession across the globe and makes recommendations for tackling the shortages.

Across the UK there are just under 1 million 16-24-year-olds not in education, employment or training (NEET) according to the most recent data from the Office for National Statistics. This is a slight drop from the first quarter of 2026, when the number of young people who are NEET surpassed one million.

This comes after announcements over the summer by the Prime Minister that 'Britain will value the hard hat as much as the graduation cap', with plans to fundamentally change the education system to enable young people from the age of 14 to get access to technical education and skills training. It is welcome that Vocational GCSEs are set to be introduced from as early as 2029. Building and Construction has been highlighted as a potential subject option, and this should be confirmed.

RICS' Surveying Skills report 2026 also probed the skills of the future. Although data analytics, digital tools and advanced technologies emerged strongly and investment will be needed in AI and digital skills capability to meet demand, respondents were most likely to rank critical thinking and learning agility, as well as communication, collaboration and stakeholder management in their top three most important skills over the next 3-5 years in the UK.

Apprenticeship funding

The Milburn Review – which is the Government's independent inquiry focusing on the record number of young people aged 16 to 24 who are NEET – is yet to report its full findings. However, it is welcome that the Government is strengthening support for young people including £100 million for local apprenticeships.

The Government will publish a White Paper in early 2027 in response to the findings of Milburn's final report.

Procurement

The Government is to appoint an external chair to the Department for Business, Innovation, Science and Trade (BIST)'s Commercial Innovation Hub as it speeds up its efforts to use the public procurement process to encourage innovation.

In March 2027, a National Procurement Policy Statement will be laid in Parliament aimed at prioritising jobs, pay and skills and acting as a mechanism to support young people into work.

The target of 3% for apprenticeships on large government infrastructure and construction projects is positive.

Next steps

The Budget contains several welcome measures for the built and natural environment, including support for first-time buyers, additional social housing investment, a higher threshold for business rates relief, action to revitalise high streets through the Hope on the High Street strategy, and steps to address barriers to development.

However, questions remain around long-term viability, skills shortages, holistic business rates reform and maintaining progress towards net zero. While the Government has shown a willingness to remove obstacles to development and encourage investment, delivery will depend on workforce capacity, planning performance and broader market confidence.

RICS engages regularly with Ministers, parliamentarians and officials to provide the independent, evidence-based view of the profession on issues of the day, and the Budget is no different. In the weeks and months ahead, we will set out our views on the measures announced to those stakeholders. We will contribute to the consultations and policy development processes which follow, including the updated Infrastructure Pipeline and the Government's response to the Milburn Review. We will also continue to make the case for the reforms needed to improve viability, unlock investment and increase housing supply.

Many of the policy areas covered in this Budget, including housing, planning, business rates and skills, are devolved within the UK. RICS will also engage with the devolved administrations in Scotland, Wales, and Northern Ireland and with legislators there as they decide how to use any Barnett consequentials arising from the Budget. We will encourage them to look at where well-designed measures, such as targeted support for first time buyers or business rates relief for retail and hospitality, could be adapted to deliver similar benefits across the whole of the country.

This Budget demonstrates a clear willingness to support growth and attempts to remove barriers to development. Its ultimate success will be judged by what is delivered. RICS and its members stand ready to work with governments across the UK to ensure these reforms translate into homes, infrastructure and thriving places in every nation and region. We will continue to keep members updated on the work we do on their behalf.