



Spending Review Response

Spending Review 2025: Built & Natural Environment Perspective

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



Introduction

RICS is pleased to respond to His Majesty's Treasury Spending Review 2025.

Established in 1868, RICS is the largest organisation of its kind for professionals in property, construction, land, and related environmental issues, setting and upholding professional standards for 125,000 qualified professionals and over 10,000 firms. RICS regulates both its individual qualified professionals and those firms that have registered for regulation by RICS.

Over 100,000 members work in the UK, where our goal is to deliver healthy and vibrant communities whilst unlocking economic growth, protecting consumers and creating opportunities for the next generation.

We are not a trade body; we do not represent any sectional interest, and under the terms of our Royal Charter the advice and leadership we offer is always in the public interest.

Executive summary

RICS is pleased to respond to His Majesty's Treasury Spending Review 2025.

The Spending Review provides an important opportunity to shape the future of the UK's economy, which the built and natural environment is a key pillar of.

Our response outlines opportunities for investment to address key challenges, including housing delivery, planning reform, decarbonisation, infrastructure improvement, and economic growth.

1. Residential

Priority - Improving the home buying and selling process

For many people, buying a home will be the biggest financial commitment they make, not made any easier by a prolonged and often stressful purchasing process.

In England, RICS estimates that one in three house sales falls through, bringing with it financial losses for consumers and revenue for the Treasury through uncollected stamp duty and overall, damaging our economic growth.

Data by Quick Move Now, estimates that in Q4 2024, 27.3% of house sales fell through because '*Buyer pulled out or failed in an attempt to renegotiate the purchase price after survey*'. Based on the estimated rate of fall-throughs in 2024 that occurred after the survey, RICS calculates the current home-buying process in England costs consumers between £50-80 million a year in fees alone and upwards of £240 million in uncollected stamp duty to HM Treasury.

For comparison, in Scotland which operates under a different home buying and selling system, one in ten sales falls through. Scotland operates the Home Report model, where prospective buyers receive a property pack ahead of making an offer that contains a survey and valuation, property questionnaire, and energy report – and it is down to the solicitor to make the offer, as opposed to England where it is the prospective buyer who directly manages the offer. Recent updates to National Trading

Standards Material Information guidance aims to provide prospective buyers with more insight into their property, but it falls short of the level of detail provided by a property survey and indeed a valuation report.

RICS is calling on the UK Government to:

- Explore options to introduce upfront property condition surveys, undertaken by a professionally competent surveyor, completed in accordance with the [Code of Measuring Practice, 6th edition](#), presented at the time the property is listed and available to all interested buyers.

2. Planning and Development

Priority – enhanced mediation in the planning space

The Government has indicated its commitment to making the entire planning process more efficient, by undertaking broad reform, cutting red tape and introducing new concepts, such as the grey belt.

Key to the success of this undertaking will be reducing frequent and unnecessary delays arising out of drawn-out, and often intractable, negotiations of Section 106 Agreements. Over the past few years, there has been considerable support for the introduction of a dispute resolution mechanism to provide a clear and final decision where negotiations breach set timescales.

We implore the Government to introduce a dispute resolution mechanism to help accelerate the planning process by facilitating negotiations and, where required, providing independent and binding decisions on all the parties involved.

RICS, which has a long-established reputation for developing and delivering successful dispute resolution services for government and industry, can support in this area. For nearly 50 years RICS has provided arbitration, mediation and related services, which have helped to resolve over 200,000 disputes involving land, property and the built environment.

We would be able to quickly develop an ADR process for Section 106 negotiations, which would:

- Improve equality of negotiating capacity between Local Planning Authorities (LPAs) and Developers
- provide skilled mediators and arbitrators who have experience and knowledge of planning matters such as: affordable housing, transport, development viability, etc.
- Create greater openness and transparency in the negotiation process
- Be cost efficient and save money
- Be fair and impartial

The dispute resolution services, the details of which are outlined in appendix 1, would provide LPAs and Developers with confidence that their mediators and arbitrators have relevant knowledge and hands-on experience, both in planning matters and of the issues which are at the core of their negotiations. This will ensure decisions are credible, authoritative and timely.

3. Sustainability and Net Zero

Priority – A phased approach to the measurement of embodied carbon

To effectively meet the UK's legally binding carbon reduction targets, it is essential to account for all sources of emissions, including embodied carbon. Embodied carbon—the emissions associated with materials, construction, and the lifecycle of buildings—constitutes a significant proportion of the built environment's overall carbon footprint. Without robust data on embodied carbon, the UK cannot fully understand or manage its total carbon emissions.

- **Completeness of Carbon Accounting:** Without embodied carbon data, the UK cannot fully assess or reduce total emissions from the built environment, undermining efforts to meet net zero targets.
- **Alignment with International Best Practice:** Many leading economies are already moving toward mandatory embodied carbon reporting, ensuring competitiveness in global markets.

- **Industry Preparedness:** A phased approach allows industry stakeholders to adjust and prepare, mitigating compliance burdens.
- **Driving Innovation and Efficiency:** Early measurement can encourage lower-carbon materials and design choices, reducing emissions before regulations take full effect.

We call on the government to introduce a phased approach to the measurement and reporting of embodied carbon in the built environment, using the RICS Whole Life Carbon Assessment Standard (2nd Edition) as the recognised methodology.

1. **A phased approach to mandatory measurement and reporting**

- Introduce legislation requiring the measurement and reporting of embodied carbon in line with RICS standard, as recommended by the Environmental Audit Committee in their report of May 2022. This is explained in detail as part of the [Proposal — Part Z](#).
- Require embodied carbon assessments to be conducted on buildings larger than 1,000m² or ten dwelling units from 2026, to be extended to all buildings from 2030. Assessments should be conducted twice at the design stage (concept and technical) and once at completion.
- Introduce maximum limits for embodied carbon, to be verified both at the design stage and post-completion. Limits should be established based on good practice benchmarks, and then progressively increased to align with science-based climate trajectories.
- Establish a framework for monitoring compliance and integrating embodied carbon considerations into planning and procurement decisions.

Priority - Expanding the Energy Skills Passport Pilot to include surveyors

To support the expansion of the renewables industry in the UK, it is crucial to harness the expertise of professionals who can facilitate and accelerate the transition. Surveyors, including quantity surveyors, building surveyors, and land agents, possess vital skills that can contribute to this shift. Their expertise in assessing land viability,

cost analysis, and project management makes them essential in delivering renewable energy projects effectively.

- **Leveraging Existing Expertise:** Surveyors already possess analytical and project management skills that can directly benefit the renewables sector.
- **Addressing Workforce Shortages:** Expanding the Energy Skills Passport to surveyors will help mitigate skill shortages and improve project delivery.
- **Enhancing Cross-Sector Collaboration:** Bringing surveyors into the renewables sector fosters stronger links between construction, land management, and energy planning.
- **Supporting Net Zero Goals:** A well-trained workforce in renewable energy will drive efficiency and innovation, ensuring that the UK remains on track to meet its carbon reduction commitments, while posing a viable growth industry for the country.

We call on the government to expand the existing Energy Skills Passport Pilot scheme to include surveyors and other similarly skilled professions. This initiative will ensure that professionals with the necessary skills are equipped to support the renewables sector's growth and meet the UK's net zero ambitions.

1. **Integration of Surveyors (and other skilled professionals) into the Energy Skills Passport**
 - a. Recognise the role of surveyors and others in the renewables sector and facilitate their inclusion in the pilot program.
 - b. Provide targeted training modules to help surveyors and similar professions transition into energy-related roles.
 - c. Encourage industry collaboration to identify and address skills gaps within the surveying profession.

Priority - Greater inclusion of skilled professionals in Government-backed retrofit programmes

Recent [reports](#) highlight concerns over poor installations in government-run retrofit programmes, undermining public confidence and reducing the effectiveness of decarbonisation efforts. Retrofit rates also remain stubbornly low, with the Climate Change Committee outlining that we need to retrofit 500,000 homes per year by 2025, and one million per year by 2030 to achieve our carbon targets.

To ensure high-quality installations and effective retrofit measures delivered at scale, skilled professionals such as surveyors, architects, and retrofit assessors must be included in these programmes. Their expertise ensures that homeowners receive accurate recommendations for retrofit measures and clean heat solutions, improving energy efficiency and reducing carbon emissions.

- **Addressing Installation Failures:** Recent reports indicate poor installations due to a lack of skilled oversight. Greater professional involvement will mitigate this issue.
- **Optimising Energy Efficiency:** Skilled professionals can recommend retrofit measures tailored to each property's needs, ensuring long-term energy savings.
- **Supporting Net Zero Targets:** High-quality retrofit installations are critical to reducing carbon emissions and meeting the UK's climate commitments.

We call on the government to increase the involvement of skilled professionals in all government retrofit initiatives to enhance installation quality and ensure optimal outcomes for homeowners.

1. Inclusion of Skilled Professionals

- a. Require the involvement of qualified surveyors, architects, and retrofit assessors in government-supported retrofit schemes.
- b. Establish clear quality assurance frameworks to ensure that retrofit measures meet high standards.

2. Enhanced Consumer Confidence

- a. Ensure homeowners receive expert guidance on selecting appropriate retrofit measures, backed up by professional body regulation and professional indemnity insurance.
- b. Implement robust monitoring and compliance mechanisms to prevent poor installations.

4. Conservation and Heritage

Priority – provide VAT support on heritage preservation works

Heritage buildings are often at the heart of our towns and cities across the United Kingdom, occupying prime locations on our high streets and in our settlements. These buildings contribute enormously to our sense of place and – properly maintained – have a lifespan often greater than more modern buildings, and their adaptive re-use contributes hugely to urban renewal. Currently, the government gives VAT relief to new build houses.

We call on the government to introduce VAT support for heritage preservation works to encourage the maintenance and restoration of historic buildings, preserving cultural heritage while delivering economic, environmental and social benefits:

- 1. Fixing the VAT disparity**
 - a. New-build housing is already zero-rated for VAT, while repair and maintenance work is taxed at 20%. This disparity creates a perverse incentive to demolish and rebuild leading to unnecessary loss of historic buildings.
 - b. Equalising the VAT rates would level the playing field and encourage restoration over demolition.
- 2. Economic benefits:**
 - a. Heritage restoration is labour-intensive, requiring skilled labour in conservation, traditional crafts and heritage construction. Reducing VAT would boost demand for these trades, increasing employment.

- b. Restored heritage buildings contribute to vibrant towns and cities, boosting tourism and small businesses.
- c. Well-maintained historic buildings generate tax revenues through occupancy, lifting property values and reducing the need for emergency repairs.

3. Environmental benefits:

- a. Reducing VAT will boost retrofitting and help preserve existing buildings. This approach is far more environmentally sustainable than demolition and new builds, reducing carbon emissions from construction and occupational energy use.
- b. Lowering the cost should encourage more energy-efficiency upgrades in older buildings, supporting government net-zero targets.

4. Supporting adaptive re-use

- a. Many historic buildings can be adapted for re-use to support community needs, whether for housing, commercial use, or wider community benefits.
- b. Lowering VAT will reduce costs for owners, charities and community groups trying to repurpose historic buildings for public benefit.

5. Skills and Workforce Development

Priority- Addressing the skills gap and building a resilient workforce

According to the Construction Skills Network, it is estimated that over 225,000 additional workers will be needed by 2027 to meet the demands of this sector. The latest RICS UK Construction Monitor also found that a shortage of general labour (44%) is one of the top factors limiting construction activity and holding back the government's aim of delivering 1.5 million new homes. Addressing the skills shortages and other skills issues within the UK is essential for growth and productivity as well as achieving the governments agenda.

We call on government to:

- Invest in training and apprenticeship programmes to ensure professionals remain competent and meet future industry needs e.g. green skills in retrofitting, digital tool training.
- Encourage continuous professional development which ensures that both new entrants and existing professionals adapt to evolving industry standards.
- Introduce a Built Environment GCSE in England or Key Stage 4 equivalent (such as 'Design Engineer Construct!') as endorsed by the House of Lords Built Environment Committee to inspire the next generation of surveying professionals.
- Embed built environment topics into the existing curriculum which will ensure that students gain a broader understanding of the built environment at a formative age and build transferable skills that they can take into a future career, examples of topics that can be embedded include digital tools, sustainability, climate adaptation, and low-carbon construction into core subjects.
- Encourage diversity and inclusion through outreach and engagement with underrepresented groups.
- Place greater emphasis on T Levels that provide young people with practical skills and access to meaningful work placements with relevant employers and increasing T levels value proposition amongst parents and carers. Additional specialisations would benefit the sector, these could include real estate and sustainable construction.
- Emphasise the importance of skills in emerging technologies in the built environment through T Levels which are critical to the sector including digital tools and methodologies such as data analysis, carbon measuring and Building Information Modelling (BIM).
- Enhance support for apprenticeships to foster talent in the built environment sector by promoting sector specific apprenticeships and develop apprenticeship

programs tailored to the needs of the sector which could meet increasing demands.

- Provide additional incentives for apprenticeships across the UK including regions with high unemployment to address regional inequalities including simplifying and streamlining administrative processes to encourage businesses to engage with apprenticeship schemes.
- Facilitate greater collaboration within the curriculum between teachers, students and industry to ensure the sector is accurately reflected and experience industry exposure is maximised, this would also ensure that training and education align with industry needs.

6. Business Rates and Economic Growth

Priority – meaningful business rates reform

Business rates impact investment decisions, the creation of jobs and economic growth. There is a huge opportunity to meaningfully reform the business rates system that is so crucial to funding essential local government services. RICS stakeholders find that business rates are too high, too complex, infrequently valued and disproportionate for companies and organisations reliant on the occupation of non-domestic property to drive their businesses forwards and unlock growth. Many of these businesses are critical to revitalising our high streets and ensuring that our economy thrives.

[The Non-Domestic Rating \(Multipliers and Private Schools\) Bill](#) threatens to complicate the system further. Pushing more of the burden onto businesses operating from units with a rateable value (RV) over £500,000 has the potential to create serious risks. Operating from properties with a higher RV does not necessarily make businesses more profitable. There are many public sector properties that could be captured by a higher multiplier such as teaching hospitals and leisure centres. If exemptions were permitted, the burden on other occupiers could extend even further.

The proposed threshold will force more of the burden onto businesses operating from larger units. This includes anchor tenants, upon which the economic success of a location can often rely. Businesses occupying larger units over the threshold may be forced to explore smaller units, negatively impacting the market for properties over the £500,000 RV limit.

We call on the Government to:

- Introduce a fairer, less complex, and more transparent system for ratepayers.
- Avoid pushing the burden of taxation onto business operating from units over the £500,000 RV limit via higher multipliers, as set out in the Non-Domestic Rating (Multipliers and Private Schools) Bill.

7. AI in the built environment

Priority - Continue to invest in upskilling funds to subsidise employee training in AI and Tech skills within the Professional and Business Services sector

RICS advocates a holistic approach to the adoption of digital tools and technologies across the built environment. Data-driven industry practices that utilise effective information management, are integrated across project phases, support continuous skill development and that incorporate life cycle thinking, the careful evaluation of technologies and the ethical adoption of AI will ultimately lead to more equitable, efficient and sustainable outcomes.

For example, AI can assist at the design stage to simulate decisions that will model embodied and operational carbon. It will also provide support for land acquisition decisions around the broader sustainability assessment for development such as environmental risks, biodiversity net gain, and nitrates, as well as minimising scope 3 emissions.

- Sensible AI adoptions, can lead to greater efficiencies, supporting the work of the surveyor rather than replacing what they do.

- With Government, industry and academic support, businesses can be encouraged to realise greater productivity gains through timely AI and digital tool adoption.

As such, we call on the Government to continue to invest in upskilling funds to subsidise employee training in AI and Tech skills within the Professional and Business Services sector.

RICS is supportive of this approach. For example, we operate the [RICS Tech Partner Programme](#) to facilitate the production of thought leadership, content, and market insight for the surveying profession. By collaborating with innovative, leading-edge firms that operate across the whole property lifecycle and all asset types, we can offer surveyors a wide variety of digital content that can help them better get to grips with the array of digital solutions available.

Appendix

Appendix 1.

PROPOSAL FOR INDEPENDENT ADR TO EXPEDITE AND GIVE CLARITY TO S106 NEGOTIATIONS (OPTION 1)

Pre-application stage

In summary, ADR will kick in at the pre-application stage if requested by either party or automatically, at a point set in a prescribed timetable for pre-application discussions

An ADR Officer (ADRO) will be appointed. ADRO and the process by which s/he is appointed must be, and be seen to be, impartial and independent of the parties at all times.

The ADRO will set up structured negotiations between the applicant and local authority. S/he will work with the parties to identify and narrow the range of issues between them. The object is to encourage the parties to engage in discussions, ensure an agenda and timetable is agreed and that the parties are prepared for s106 negotiations following the application for planning permission

- Formalised pre-application discussions between a developer and local authority, to a set timetable take place
- Applicant and local authority jointly prepare a list of agreed and non-agreed issues which will be included in the application documentation
- An ADRO may be appointed at the request of either party after 8 weeks of the date of commencement of pre-application discussions.
- The ADRO will be automatically appointed if the applicant and authority fail to agree a list agreed and non-agreed issues by the end of 8 weeks

A schedule of agreed issues and issues to table will ensure both parties are fully informed and properly prepared to take formal S106 negotiations forward without delay, as soon as the application for planning permission is made

The ADRO's function is to be an independent facilitator of negotiations, assist parties to identify issues, use mediation techniques to resolve issues, and/or narrow the range of issues prior to application

TIMESCALE
Months
(May be dependent on complexity of development)

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Application stage

- The applicant and local authority enter into negotiations with the aim of agreement a s106 within 8 weeks after an application has been made
- The ADRO will be appointed automatically if the applicant and authority fail to agree a s106 by the end of 8 weeks. The ADRO's role is to act as mediator and make non-binding recommendations to help resolve issues.
- If the ADRO was appointed in the pre-application stage, s/he will be the person appointed in the application stage.

During the s106 negotiations either party may request the appointment of an ADRO at any time to help find solutions to unresolved issues identified in the pre-application stage

If the parties fail to reach agreement within the prescribed timetable, the form and content of the s106 agreement will be referred to binding ADR

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Binding ADR stage

- The ADRO's role will move from meditative to determinative
- The ADRO will set a timetable and procedural orders for the conduct of the binding ADR process. The ADRO will invite written submissions. S/he will have discretion to conduct a meeting/hearing
- The applicant and local authority will be invited to discuss/comment on the ADRO's draft findings, and they may be allowed to moderate the draft findings by agreement
- The applicant and local authority will be able to submit reasoned objections to one or more findings. The ADRO will consider objections, but is not bound by them.
- The applicant and local authority can agree the content and form of the s106 at any time up until the ADRO has published his/her findings.
- Once published, the ADRO's findings become binding and are incorporated into the s106 agreement
- The local authority cannot decline permission on the basis that it disagrees with a s106 agreement which has been determined by binding ADR

The purpose of a meeting/hearing is to review the parties' stated positions, based on evidence already submitted and the areas of disagreement to be considered by the ADRO

Thought should be given to whether the s106 agreement, which is determined by binding ADR, is binding or persuasive to subsequent applications, if the original applicant withdraws

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