

What Does the Autumn Budget Mean for FM Sector?

6 months ago



Chancellor Rachel Reeves' Autumn Budget for 2025 has been defined by a renewed push for national productivity and a focused approach to infrastructure investment. For the UK Facilities Management sector, this statement creates a dual reality: significant long-term growth opportunities in capital projects, alongside immediate pressure on operational budgets due to rising labour costs and energy policy shifts.

We take a look at the key points and how they will affect the FM industry.

Investment Incentives Drive Hard FM Projects

The core strategy of the Budget is to unlock business growth through strategic investment, a measure set to generate considerable project work for Hard FM providers:

- **Productivity Through Tax Breaks:** To stimulate capital expenditure, the Chancellor introduced new or enhanced tax incentives, notably a 40% first-year allowance. This mechanism allows businesses to write off a large portion of asset investment against tax immediately, encouraging clients to fast-track upgrades to smart building systems, M&E plant, and energy efficiency technology.
- **Infrastructure Certainty:** The commitment to the government's 10-Year Infrastructure Strategy provides a stable pipeline for major public and private sector projects. This continuity is vital for FM firms involved in technical maintenance and complex asset management across new rail, science, and technology facilities.

Rising Labour Costs Reshape Soft FM Contracts

Measures designed to tackle the cost of living have placed immediate upward pressure on the labour-intensive side of the FM industry:

- **National Living Wage (NLW) Surge:** The decision to increase the NLW to £12.71 per hour from April 2026 will heavily impact Soft FM services (cleaning, security, catering). As labour constitutes the largest element of these contracts, FM firms must now focus on greater operational efficiency and technology adoption to manage the subsequent rise in staffing expenditure without compromising service delivery.
- **Skills Gap Management:** While the government aims to boost skills training, the FM sector remains vigilant on the impact of proposed Apprenticeship Levy reforms. Securing talent for critical engineering, M&E, and supervisory roles necessitates that companies utilise every available mechanism to recruit and train the next generation of FM professionals.

Sustainability: Funding Mechanisms under Review

A major policy change regarding energy efficiency funding signals a need for the FM sector to adapt its approach to decarbonisation projects:

- **ECO Scheme Scrapped:** The Energy Company Obligation (ECO) system is set to be scrapped. The intent is to alleviate household costs by moving green levies from energy bills to general taxation. For commercial and public buildings, this policy shift fundamentally changes the financial landscape for large-scale retrofits, prompting FMs and clients to seek new commercial models and financing solutions to deliver Net Zero targets.
- **Focus on Fabric Efficiency:** Despite the funding model change, the government confirmed a continued emphasis on investment in building insulation and fabric efficiency. This confirms the critical role of FM in maintaining and upgrading building envelopes to deliver long-term energy performance and reduced consumption.

All in all, the 2025 Autumn Budget signals a strong government focus on making the UK a more competitive and productive place to invest. For the FM industry, this means navigating a challenging blend of higher operational costs with a strategic opportunity to lead on capital projects that define the future efficiency and sustainability of the UK's built environment.