UK 2026 AUTUMN BUDGET REPRESENTATION:

SURF Submission

Below is a series of policy proposals for the UK Government to consider as part of its 2026 autumn budget. These are drawn from SURF's expertise working with regeneration stakeholders, community projects, and our SURF Award winners and shortlisted projects, which bring together regeneration best practice in Scotland. In summary, we propose:

- *More Regeneration Investment in Scotland*
- *Rebalancing the capital / revenue split in funding settlements*
- *More and better coordination with the Scottish Government*
- *VAT exemptions for the reuse and renovation of buildings*
- *Revising Local Housing Allowances to ease cost-of-living pressures*

More Regeneration Investment

While Pride in Place funding is welcome, it is – according to the Joseph Rowntree Foundations June report on PiP in Scotland – a 'drop in the ocean.' There is significantly more need in Scotland than the current funding addresses. SURF welcomes the 10-year funding envelope, but more is needed – and in more places – to address the deeply entrenched deprivation that exists in Scotland and continues to block community aspirations.

Moreover, re-assessing the allocation methodology (and working closely with local partners to do so) will also help ensure that investment goes to areas that need it most.

Rebalance the Capital / Revenue Split (or remove the distinction altogether)

Currently, most funding programmes are heavily weighted towards capital funding, despite the clear impact that revenue-funded projects can have on both addressing poverty and meeting regeneration outcomes more broadly. Employability projects, for example, are almost fully revenue-funded, and as a result often fall victim to this trend towards capital projects.

With the Local Growth Fund having a 70% capital / 30% revenue split, Pride in Place Phase 1 having a 75% capital / 25% revenue split, Pride in Place Phase 2 having a 63% capital / 37% revenue split, and the Pride in Place Impact Fund being 100% capital, the trajectory of regeneration investment is increasingly geared towards capital projects. Not only does this pose delivery challenges – especially for deprived communities which may lack community capacity, expertise, and resources to draw on – but it frames regeneration as a process that revolves primarily around capital investment, when we know good regeneration is about more than that.

Key government priorities such as tackling unemployment (especially given the latest NEET reports), growing the economy, and lowering the benefits bill are ultimately not (or not exclusively) tackled by capital investment, but by revenue-funded projects.

SURF's experience working with communities and advocating on their behalf also highlights the importance of small, community-led projects and flexible funding. Work through Alliance for Action, for instance, highlights that revenue funding and flexible, small-scale community funding pots often generate considerable returns – including for future capital investment projects. In Girvan, for example, a multi-year place-based coordination and facilitation role helped secure millions of pounds of inward investment, leveraging multiple funding streams from, amongst others, South Ayrshire Council, Historic Environment Scotland, the National Lottery Heritage Fund, and the Architectural Heritage Fund. The lesson here is clear: fund the process, not just the project, and the benefits will be more diverse, durable, and long-term.

Some communities may ultimately decide that a capital project is appropriate and useful, others may opt for revenue-funded projects or a mix of both. Thinking too prescriptively about how communities utilise funding prevents a place-based approach to regeneration and ultimately frustrates further efforts to devolve power and decision-making directly to communities.

Better coordination with Scottish Government and Scottish Local Authorities

Too often there is a lack of coordination between Westminster, Holyrood, and Local Authorities. Collaboration across all tiers of government will help communities deliver more effectively, as well as streamlining the funding landscape. Both UK and Scottish Governments have, at times, contributed to this issue; resolving it will require a reset and a willingness to work together more productively. Re-setting the tone can start now with a new Prime Minister and cabinet, especially considering the renewed emphasis on devolution and place-based policy.

At a minimum, the UK Government should coordinate directly with Scottish Government around funding streams before they are announced to maximise impact in a collaborative manner that prioritises people, not politics. Funding programmes should complement existing forms of investment and strengthen – not compete with – other initiatives.

It would also be helpful if funding flowed to existing structures/organisations. The creation of Neighbourhood Boards when community councils or accountable development trusts exist has added a complicated layer and is not democratically accountable.

VAT Exemptions for the Reuse and Renovation of Buildings

With new builds currently zero rated, this is a significant barrier to regeneration schemes across Scotland – especially in town centres. Equalising VAT on new and existing buildings would help address this barrier and ensure that regeneration can happen effectively in areas where existing assets do exist, but need to be renovated or have their use altered. Although SURF understands there are a series of exemptions, linking these to, for example, energy efficiency measures limits regeneration possibilities, and unnecessarily narrows its scope, thus constraining effective investment.

The introduction of the Building Premises Renovation Allowance in 2007 saw positive results in areas of deprivation and its withdrawal in 2017 was disappointing. This government should reintroduce it to stimulate private investment in areas that would benefit the most.

Revise Local Housing Allowances to account for cost-of-living pressures

Local Housing Allowances (LHA) must be revised to account for current cost-of-living pressures and previous LHA rate freezes. A 2023 study by the Chartered Institute of Housing suggests that just 8 percent of properties in the 2022-2023 financial year were classed as 'affordable' – in that there was no shortfall between LHA rates and advertised rents. These affordability issues are likely to persist as rates are frequently refrozen, often for years. As LHA is also used to calculate Housing Benefit and the Universal Credit Housing Element, inaccurate and outdated figures will exacerbate wider inequalities in ways that are not always addressed by the wider benefits system. Re-establishing the 30th percentile – and maintaining this year-on-year – should be the minimum commitment; increasing this to the 50th percentile is likely to have a greater effect on reducing poverty.

About SURF

SURF is Scotland's regeneration forum. Its overall objective is to address poverty in Scotland's most disadvantaged communities.

The SURF network is the primary arena for independent debate on community regeneration in Scotland. Through its close links to national and local government, SURF acts as a constructive channel for information, consultation and policy proposals, based on the knowledge and experience of its extensive membership and its wider connections.

End of SURF's Submission

Augustijn van Gaalen, Policy & Advocacy Manager, September 2026

Visit our policy page for more on SURF's policy influencing activities and other consultation responses.