UK Warehousing Association: Autumn Budget Submission 2026

The UK Warehousing Association (UKWA) is the dedicated trade association for the UK's vital warehousing sector. The UKWA represents 1,000 member businesses, who together operate over 400 million square feet of warehousing and distribution space across thousands of locations throughout the UK. Our members range from multinational logistics companies to family-owned firms, and technology companies providing hardware and software to warehouses.

Warehousing is a fast-growing sector, expanding in Gross Value-Added terms from around £18.4 billion in 2010 to £28.5 billion in 2022. The sector employs over 760,000 people in the UK directly, creating jobs in areas where employment opportunities are otherwise limited. Warehousing businesses are essential to the smooth functioning of international trade, retail, food supply, manufacturing, defence and key public services including healthcare.

The UKWA has welcomed measures taken in this Parliament that recognise the importance of our sector, including the inclusion of freight and logistics in the Industrial Strategy and the development of a new freight plan by the Department for Transport. The new National Planning Policy Framework is a significant positive step forward, giving warehousing and logistics much greater prominence in the planning system.

The Chancellor acknowledged in his speech in early September that business costs, including energy, regulation, planning and labour, had all risen recently. The UK's warehousing sector has been particularly badly affected, as it employs a large workforce and is compelled to operate larger premises.

Our members stand ready to support the Government's ambition to reindustrialise the UK and spread growth to every postcode. However, investment and job creation will be hampered if policy-related costs continue to rise.

Summary of recommendations

Business Rates: Commit to not increase the high value multiplier next April, and to conduct a full analysis of the reforms that came into effect in April this year. We support funding announced cuts for pubs and music venues by clamping down on non-compliance with VAT collection by online marketplaces.

Energy: Widen Full Expensing, or equivalent first-year capital-allowance treatment, so that eligible grid upgrade and connection fees associated with on-site generation, storage, charging, and operational electrification can be treated as qualifying expenditure; Extend the existing business rates exemption for eligible on-site renewable generation and storage plant and machinery beyond 2035.

Skills: Expand the range of warehousing-related apprenticeship units eligible for Growth and Skills Levy funding.

Devolution: Implement fiscal devolution in a way that works for vital sectors such as warehousing and logistics, recognising their role in generating employment, productivity gains and significant Business Rates revenues.

Technology: Establish a dedicated Warehousing & Logistics AI and Automation Fund, which can be utilised by employers to invest in and trial emerging technologies.

Business rates

This year's business rates revaluation, particularly the introduction of the new multiplier on properties with a rateable value (RV) above £500,000, has put significant pressure on the warehouse sector.

According to analysis by Savills, around 4 in 5 warehouses saw their business rates bill go up in April this year, with the average rise being 9%. 23% have experienced an increase of more than 20%, and for some of those, it will only have been capped at 30% for a transitional period.

The Treasury's analysis, from the 2025 Budget documents, suggests that 1,900 'distribution warehouses' will collectively contribute an additional £270m over three years, because of the new high value multiplier. Valuation Office Agency figures count 2,670 distribution warehouses in total, suggesting that seven in ten of all properties in this category are paying the new multiplier.

There is also a separate VOA category for 'factories, workshops and warehouses', which contains nearly 380,000 properties. We do not know how many warehouses are in this group, but there are around 130,000 warehouses on the separate National Buildings Database, suggesting it could be a significant proportion. Some of these will also be above the £500k threshold.

The new multiplier was justified as a means to shift the burden towards the warehouses of 'online giants', in order to support the high street. The result of the new system is that a large warehouse experiences a multiplier of 50.8p, while a small retail, hospitality and leisure premises pays 38.2p.

However, there is no link between the use of the warehouse and the rate it pays – all properties above the threshold pay the multiplier.

In 2024, from UKWA/Savills research, online retailers occupied 69 million square feet of warehouse space, while high street retailers occupied 97m sq ft. Third party logistics providers were the largest category, at 128 m sq ft.

Online versus high street is not, in fact, a clear distinction when it comes to warehousing. Nearly every major retailer now follows an omnichannel strategy, selling through both shops and online. A warehouse occupied by a retailer may replenish stores, fulfil online orders, process returns or

perform multiple functions. Third-party logistics providers often serve several customers and sales channels from the same building.

This means that the new multiplier is affecting other retail channels, including the high street, as well as online. Any increase in the multiplier would add cost for retailers and consumers, whatever the channel. This would come on top of the significant extra cost pressure on the logistics sector from increased fuel costs relating to the US-Iran conflict.

In the Treasury announcement on 23 July, it was stated that the 20% cut for pubs, clubs and music venues would be "fully funded". We were pleased to see that warehouses were not, at that point, specified as a potential source of funding. We are hopeful this indicates an acknowledgement that warehouses are already carrying a significant amount of the load when it comes to business rates.

We support efforts to raise revenue by strengthening VAT compliance by online marketplaces (see below) and potentially removing reliefs from certain types of premises, such as vape shops.

While we have welcomed the engagement from the Treasury over the last two years on the Transforming Business Rates programme (and called for the transitional relief which was introduced), the overall system has continued to become more complex and unpredictable. There are now around 20 different permutations of annual multiplier which could apply throughout England, Wales and Scotland.

In the medium-term, we believe the Government should look to reduce the number of multipliers, but our immediate priority is not to see the high value property multiplier rise next April.

A rise in the high value multiplier would mean concentrating extra revenue raising among a relatively small number of large warehouses. Many of our members operate open-book contracts with the customers, and any Business Rates increase would be passed on.

To give an example relevant to recent announcement, our members manage the logistics of breweries and pub chains. Carlsberg Marstons, JD Wetherspoons and others are supported by DHL, while GXO signed a 10-year extension of their contract with Greene King earlier this year. While pubs may receive an upfront reduction to their business rates, their food and drink costs would go up, likely leading price rises for consumers.

We therefore ask you not to announce any increase in the high value multiplier at the upcoming Budget, and to instead conduct a full analysis of the reforms that came into effect in April this year, including:

- The effects on employment and investment.
- Costs passed through to manufacturers, retailers and hospitality businesses.
- The impact on supply-chain resilience and regional economic growth; and whether the intended benefit to high streets is being offset by increased costs elsewhere within the same supply chains.

This analysis should take place after the reforms have been in place for a full year. We also ask that the UKWA and representatives of warehouse occupiers and property owners are consulted before any further reform is developed.

Extend VAT online marketplace liability

The UKWA supports extending online marketplace liability for VAT. Closing the tax gap, including by cracking down on non-UK sellers pretending to be based in the UK is a legitimate aim of tax reform. We support extending Online Marketplaces' (OMPs) liability to sales by UK sellers. This would counter attempts by overseas sellers to masquerade as UK sellers, and level the playing field. If, as the consultation states, "the OMP would be liable to account for the VAT rather than the underlying business", the impact on the seller will be limited (apart from the positive impact of not being potentially undercut by an overseas seller not paying the VAT).

As the consultation document makes clear, the Government intends to put any revenue raised from these reforms towards supporting high street businesses through the business rates system. We believe extending OMPL is a much more economically effective way of supporting pubs or other small businesses than other proposals that have been made, such as attempting to specifically extract more business rates revenue from warehouses. We believe the latter would only result in higher costs for the whole supply chain, including small, high-street business who rely on logistics services provided by our members.

Energy

Warehousing is both a growing source of electricity demand and one of the UK's largest under-used rooftop solar resources. Official data shows over 220 million square metres of warehouse floorspace in England and Wales – 36% of all non-domestic floorspace. Nearly two-thirds of UKWA research respondents expect electricity use at their sites to increase over the next five years, driven by depot charging, materials handling electrification, automation, and more intensive climate control. Operators want to invest. The main fiscal barrier is the cost and tax treatment of the grid upgrades required to make that investment work.

We ask the Treasury to widen Full Expensing, or equivalent first-year capital-allowance treatment, so that eligible grid upgrade and connection fees associated with on-site generation, storage, charging, and operational electrification can be treated as qualifying expenditure.

This is a significant issue for businesses seeking to invest in on-site energy infrastructure. New connections routinely take 18-36 months, while costs can exceed £1.5 million in constrained areas. Grid upgrade fees are often the largest and most uncertain cost associated with a warehouse solar, storage or charging project, yet they sit outside the tax treatment available for qualifying plant and machinery.

UKWA has made this request previously and, in our view, it remains the cleanest way to close the gap between existing tax relief and existing grant support, helping businesses to unlock investment in the infrastructure needed for generation, storage, charging and operational electrification.

In a similar vein, eligible on-site renewable generation and storage currently benefits from a full business rates exemption until 31st March 2035. That exemption has improved the economics of rooftop solar and associated storage on commercial buildings and should be extended. Warehouse rooftops are long-lived assets, and so is the technology installed on them. Many solar PV systems have operational lives of 25 years or more, so investment decisions being taken now already look beyond 2035. A hard stop in the exemption creates avoidable uncertainty at exactly the point government is asking the sector to accelerate rooftop deployment.

Without the exemption, adding generation and storage can increase rateable value and therefore the annual rates bill for operators. The size of that avoided cost varies by site, multiplier and system size, but over a multi-decade asset life it is material to the investment case.

The ask is simple: extend the existing business rates exemption for eligible on-site renewable generation and storage plant and machinery beyond 2035. No new relief is required and no change to the eligibility rules is required. The existing instrument should be given a time horizon that matches the life of the assets it is designed to support.

Our research suggests that energy visibility remains a missing step for operators. While the use of Warehouse Management Systems (WMS) is common (94% reported WMS use), only 28% of respondents have energy sub-metering beyond the main meter and only 22% have energy dashboards. That picture is consistent with recent materials handling sector evidence: 84% of businesses do not use an Energy management System (EMS), and only 4% track energy use well enough to identify problems.

Without that visibility, operators cannot manage peaks, avoid oversizing import capacity, or make a robust business case for further investment in solar, storage, and electrification. We therefore ask the Treasury to support a simple, capped capital grant for Energy Management Systems and monitoring equipment for small and medium-sized operators, paired with a voucher to commission an internal energy audit and subsequent staged action plan, to support the sector's decarbonisation journey.

Skills

The warehousing sector is facing the challenge of growing skills gaps, driven by advancements in technology and automation, the retirement of senior, experienced managers and increased competition with sectors such as engineering and construction for specialist and skilled talent.

Our sector is a strong advocate for vocational and technical education, including apprenticeships, as a tool to plug these gaps and address the NEET crisis. However, since April 2017, the Transport and Logistics sector has contributed £1.6bn to the Apprenticeship Levy, while recovering only a third in sector-specific apprenticeship funding (Road to Logistics. 2026). This is because currently available qualifications have not kept pace with the reality of modern warehousing.

The sector has welcomed recent reforms to increase apprenticeship flexibility, including the introduction of Apprenticeship Units. We urge the Government to take this further by expand the range of warehousing-related apprenticeship units eligible for Growth and Skills Levy funding.

The current suite of Apprenticeship Standards falls short of reflecting the technical intersection between warehousing infrastructure and the IS-8 growth sectors. While specific standards exist for advanced manufacturing or digital tech, they frequently overlook the specialised logistics capabilities required to sustain those industries. For instance, according to the recent UKWA Skills Survey, over a third of warehousing employers report severe skills gaps in automation and robotics engineering today, with that figure rising to over 50% in 5 years.

However, existing engineering or robotics standards are rarely tailored to the specific needs of a high-speed logistical environment. Apprenticeship units in ‘automation optimisation’; ‘data analytics and WMS management’ or ‘supply chain sustainability and decarbonisation’ would rapidly upskill potential new entrants to the sector and address growing skills gaps. These units can be based on content in the upcoming Warehouse Manager Level 3 apprenticeship.

Devolution

The government's devolution agenda creates an opportunity to strengthen the case for logistics investment across the country. As greater responsibility for growth, infrastructure and economic development is devolved, it is important that all parts of England have access to the powers and incentives needed to support investment.

This is particularly important for logistics because supply chains rarely align neatly with administrative boundaries, with strategic logistics infrastructure, including warehousing hubs, airports and freight interchanges often serving wide areas and sitting outside combined authority boundaries.

Fiscal devolution should therefore be designed in a way that works for foundational sectors such as warehousing and logistics, recognising their role in generating employment, productivity gains and significant Business Rates revenues. This would help ensure that logistics infrastructure is viewed as a long-term asset for local and regional growth.

Technology & Automation

Warehousing is fast becoming one of the UK's most important environments for the deployment of robots, automation, and AI. Faced with labour challenges and rising business costs, warehouse operators see intelligent technologies such as autonomous mobile robots and AI-enabled warehouse management systems and demand forecasting, as possible solutions. UKWA membership engagement indicates strong interest in these technologies, yet adoption potential remains unrealised, particularly among small and medium-sized businesses. The principal barriers are the high upfront cost and the limited availability of targeted support for implementation.

This is a significant issue for businesses seeking to modernise their operations. Automation projects require upfront expenditure before any productivity benefits can be realised. But once a

warehouse is able to implement automation and AI into its operations, it drives efficiency and increases productivity, as shown in a review of the use of robots in warehouses.
Warehousing innovation can also strengthen resilience and boost operational reliability. It also has the potential to improve worker safety and reduce risk in the workplace.

For these reasons, the UKWA call on the government to establish a dedicated Warehousing & Logistics AI and Automation Fund, which can be utilised by employers to invest in and trial emerging technologies.

The UK warehousing sector is uniquely placed to benefit from innovations in robotics and technological advancements. A report on the economic impact of robotics and autonomous systems, commissioned by the then Department for Business, Energy & Industrial Strategy in 2021, found that among seven selected sectors, given estimates of future adoption trends, 'warehouse logistics' would see the largest % increase in GVA by 2035.

This was far more than sectors such as agriculture, construction, food & drink manufacturing, and health & social care.

The report further suggested that:

'up to 52% of tasks in the warehouse logistics sector could technically be automated by 2035, equivalent to an estimated £16 billion of GVA. Under current trends, however, RAS [robotics and autonomous systems] adoption is expected to result in the automation of 14% of tasks in the sector by 2035 (less than a third of the potential fraction), equivalent to an estimated £4.4 billion of GVA. Therefore, while the economic impact of RAS in this sector is expected to be significant, it is less than one third of the impact that could be achieved if its automation potential was reached'.

A Warehousing & Logistics AI and Automation Fund would also have the advantageous effect of increasing familiarisation in the existing warehousing and logistics workforce of robotics and AI. This was a knowledge and skills gap we identified in our 2026 Skills Policy Paper: Building the Workforce of the Future.

A survey of our membership which informed this report found that 37% of respondents reported skills shortages in automation and robotics. Within three to five years, without government support and policy intervention, that figure is expected to rise to 53%. Similarly, 37% of survey respondents reported skills gaps in advanced digital skills such as AI; this is projected to increase to 45%.

There is a strong case for prioritising such R&D-like spending. Every £1 spent on public R&D unlocks £1.40 of private R&D investment. And an assessment by DSIT found that, on average, £1 of civil public R&D investment generates £8 in net economic benefits for the UK over the long term.

Channelling this funding into logistics is a sensible economic calculation. As the Industrial Strategy noted, an estimated every £1 of output from the freight and logistics sector generated £2 of spending elsewhere in the economy, through supply chains and employee spending.

This Warehousing & Logistics AI and Automation Fund would be a targeted measure to support a narrow-profit margin but high-potential-for-innovation sector, which makes vital contributions to all sectors of the economy, including the IS-8 as recognised in the Industrial Strategy.

National Robotics Strategy

To ensure that funding for warehousing robotics is not siloed, we are also calling for a National Robotics Strategy, which would put us in line with comparable economies such as Australia, South Korea, and India.

Without a National Robotics Strategy, there is a risk that any support for the warehousing sector is isolated rather than part of a comprehensive and coordinated national effort.

This is important, because the UK does not perform well in robotics adoption. The UK ranks just 24th globally for robotics adoption. The UK is also ranked last among G7 countries for number of robots per 10k workers. This is similar to the UK's global standing in the World Bank's Logistics Performance Index, which ranks us 19th. Both could be improved with cross-sector investment and support, in the form of a Warehousing & Logistics AI and Automation Fund and a National Robotics Strategy.