Federation of Master Builders (FMB)

response to:

Consultation on Reform of Landfill Tax in England and Northern Ireland

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Further information:

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About the FMB

The Federation of Master Builders (FMB) is the largest trade association in the UK construction industry. With 6,500 member firms, the FMB is the recognised voice of micro, small and medium-sized (MSME) construction firms. Around 10% of our members are involved in housebuilding.

Local builders sit at the heart of supporting the UK economy, creating new jobs and training the next generation of builders with skills fit for the needs of the modern economy. They are also key drivers in helping to deliver government priorities on growing the economy, quality housing delivery, and improving the UK's existing housing stock to make our homes healthier places to live.

Main Concerns

The consultation doesn't have a suitable question to frame the concerns below; therefore, we've submitted this in a written format, not using the online survey.

The FMB holds deep concerns regarding the proposed "quarry exemption", and the estimates from the British Aggregates Association (BAA) presentation to the Construction Leadership Council (CLC), which we're aware has been shared with the HM Treasury and MHCLG. The BAA estimates that there may be an additional cost to new build homes ranging up to £28,000 for houses built on small sites by 2030. These costs will further exacerbate existing barriers to SME-led housebuilding.

The estimates also suggest the same issue may raise the cost of a house on larger sites to £22,000, which is concerning in itself, but suggests that SMEs, who have been in a long-term decline in the housing market face a higher financial penalty because of these proposed reforms. This would impact the Government's set aim of diversifying the housing market, breaking the reliance with major developers to deliver the UK's housing need.

Although landfill tax is not typically paid directly by small housebuilders, any increase in fees for waste disposal is invariably passed down the supply chain and will translate into higher build costs at a time when SMEs are already operating on the tightest of margins.

SME Housing Sector Background

SME house builders used to deliver 40% of all new homes in the late 1980's, this has now declined to below 10%, pushing the UK to be ever more reliant on major developers to deliver housing targets. This makes the UK an outlier compared to comparative nations, who have much more diverse housing markets.

The FMB's annual House Builders' Survey looks at the state of the housebuilding market for SME builders in the UK. In 2024 Access to Finance was rated by FMB members as one of the major barriers holding back small builders from delivering homes. Respondents rated lending conditions to micro, small and medium-sized enterprises at just 1.76 out of 5, continuing a decline from previous years and marking the poorest score since 2017. Bank fees on new and existing loans were highlighted as the most significant finance-related issue, and while 36% still rely on high street lenders, no respondents reported using Homes England schemes, indicating that government-backed support remains out of reach for the vast majority of SMEs.

Regulatory burdens already impose substantial costs on small developers. The cost of national regulations, such as Biodiversity Net Gain requirements, ranks as the fourth most significant barrier to SME housebuilding, cited by 57% of those surveyed. This regulatory framework, while important for environmental outcomes, has driven up consultancy and compliance costs at a time when many SMEs struggle simply to secure viable sites.

Material price inflation has also hit small builders hard. 93% of survey respondents reported that build costs have risen in the past year, with 44% estimating increases of around 10% and almost a third seeing rises of 20% on a typical site. Materials costs appear as the fifth most significant barrier (43%) to SME housebuilders, highlighting how volatility in commodity markets and supply-chain disruptions are eating into what little profit these builders make.

Summary

Introducing an additional landfill tax could cost up to £28,000 per home by 2030, as a consequence of ending the quarry exemption disposal route and the introduction of the standard rate. This would exacerbate these pressures and risk rendering many small developments unviable. SMEs typically deliver only small number of homes each year, and so the result would be a further reduction in SME-led housebuilding, undermining the government's aim of diversifying housing supply and exacerbating the shortage of smaller sites. We know that larger volume developers can absorb or offset new costs through economies of scale.

Suggested outcome

It is therefore vital that the quarry exemption proposal is reconsidered, and that any decision to move forward with the proposals only takes place once HM Treasury has had the opportunity to meet with the CLC and relevant bodies within the construction industry. We would welcome the opportunity to discuss these concerns, particularly as part of sector wide approach with the CLC.