Federation of Master Builders (FMB)

response to:

Autumn Budget 2026

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About the FMB

The Federation of Master Builders (FMB) is the largest trade association in the UK construction industry. With more than 6,500 member firms, representing around 45,000 employees, the FMB is the recognised voice of micro, small and medium-sized (MSME) construction businesses.

Local building companies play a key role in our economy, creating local jobs and training the next generation of builders with the skills needed for the modern economy. They are also key to delivering government priorities on growth, quality housing delivery, and improving the UK's existing housing stock so that homes are more energy efficient and cheaper to run.

Executive Summary

The Government has set out welcome ambitions to increase housing delivery, improve the energy efficiency of homes, tackle skills shortages and strengthen consumer protection. However, for small building companies the challenge is no longer one of ambition – it is now one of delivery.

SME builders remain under pressure from rising costs, planning delays, limited access to finance and persistent skills shortages. These pressures are restricting recruitment, delaying projects and making it harder for local firms to contribute to the Government's priorities on housing, retrofit and economic growth.

This submission sets out four areas where the Autumn Budget can support practical delivery:

- The Government should help SME house builders overcome planning and finance barriers, ensuring government-backed schemes are genuinely accessible to smaller firms.
- The Government should support a sustainable retrofit market through VAT reform, long-term incentives for owner occupiers, and effective delivery of the Warm Homes Plan.
- The Government should help small construction employers train the next generation by reducing the administrative and financial burden of apprenticeships.
- The Government should ensure consumer protection reforms are affordable, proportionate and backed by a long-term move towards mandatory licensing of domestic building companies.

Taken together, these measures would support growth, improve consumer confidence, and help ensure that the Government's ambitions translate into delivery on the ground.

Response

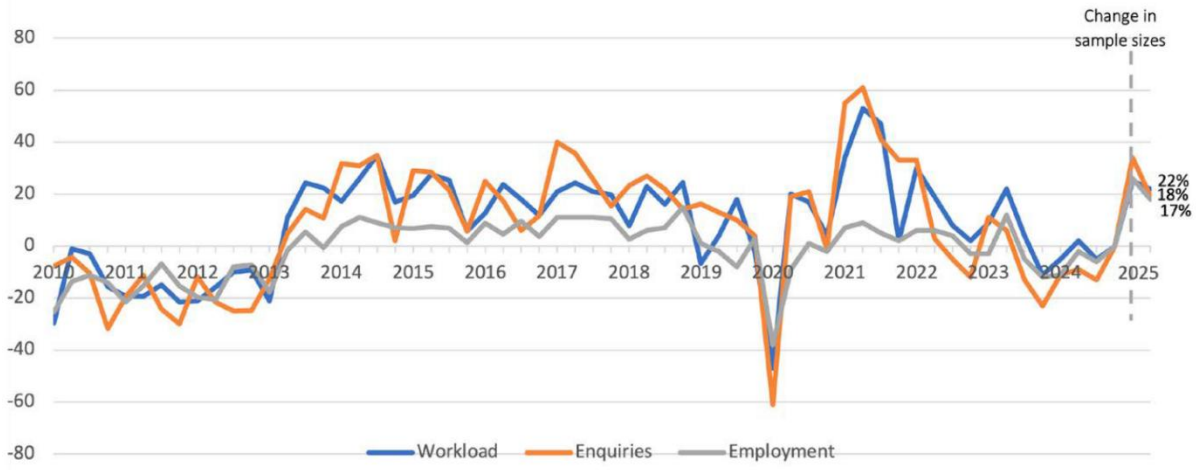
Current status of the industry

For small and local building firms, the gap between policy announcements and practical outcomes remains too wide. Planning reform, support for SME house builders, investment in retrofit and changes to the skills system are welcome in principle. But unless the Treasury uses the Autumn Budget to reduce the cost of delivery, improve access to finance, support small employers and create stable demand, the Government's wider ambitions on housing, retrofit and growth will be harder to achieve.

The latest FMB and CIOB State of Trade Survey[1] shows that SME builders remain under pressure. In the second half of 2025, workloads, enquiries and employment all remained positive, but momentum slowed compared with the first half of the year. Workload recorded a net balance of +22%, enquiries +18%, and employment +17%. This suggests the sector remains active, but confidence and demand are not yet strong enough to support the scale of growth government wants to see.

Rising costs continue to be one of the clearest barriers to growth. The same survey found that 75% of firms reported higher material costs, 57% reported rising wages, and 61% had increased the prices they charged for work. These pressures are having direct consequences for businesses: increased outgoing costs led 56% to raise prices, 51% to report lower-than-expected profits or losses, 34% to restrict recruitment, 20% to fear for business viability, and 16% to make redundancies.

Key Indicator Graph[2]



Graph 1 – Q3. Looking back, how does your company's workload in the period of July to December 2025 (Q3 and Q4) compared to that in April to June 2025 (Q2), thinking about total workload, and in the specific sectors of the industry that you work in?? (n=493) Q6. Looking back, how has the level of enquiries regarding future work changed in the period of July to December 2025 (Q3 and Q4) compared to that in April to June 2025 (Q2), thinking about total enquiries, and in the specific sectors of the industry that you work in? (n=493) Q8. How has the number of employees within your company's workforce changed during the period of July to December 2025 (Q3 and Q4) compared to that in April to June (Q2)? (n=493) Graph shows net balance of change

[1] FMB and CIOB State of Trade Survey H2 2025
[2] FMB and CIOB State of Trade Survey H2 2025

Key points

The FMB believes the Government should focus on three key priorities for its Autumn Budget to ensure growth.

1. **Housing**
   - *Support local authorities to boost planning team capacity and help smaller developers through the system.*
   - *Review the financial burdens placed on smaller developers by the planning system which hinder housing delivery, particularly unnecessary planning application information.*
   - *Ensure government-backed finance schemes are accessible to smaller house builders and support them to bring forward new homes.*

2. **Energy Efficiency**
   - *Simplify and extend VAT relief for housing improvement work which includes measures to improve the energy efficiency of a home.*
   - *Provide long-term funding and incentives for owner occupiers to upgrade their homes, including those not covered by government-funded schemes.*
   - *Ensure delivery of the Warm Homes Plan supports SME builders and has funding in place for the long term to discourage stop, start policy initiatives.*

kills

- *Fund a UK-wide network of Build Academies to support young people who are not in education, employment or training (NEET) into construction jobs, apprenticeships, and further skills training.*

- *Small construction companies need support to reduce the financial risk of employing an apprentice. This could be delivered through grants or tax incentives to help boost apprenticeship numbers.*

3. **Consumer Protection**
   - *Conduct a full assessment of the funding, enforcement and administrative costs associated with the Government's proposed consumer protection reforms before implementation.*
   - *Ensure any consumer redress scheme prioritises mediation and dispute resolution before escalation to an Ombudsman service, reducing costs for consumers, businesses and taxpayers.*
   - *Develop a mandatory licensing scheme for domestic building companies to improve competency, protect consumers and provide a long-term solution to rogue traders.*

Housing

The Government's ambition to deliver 1.5 million homes during this Parliament is welcome. However, this target will be difficult to achieve without increasing the number of SME house builders bringing forward new homes. In the 1980s, SME developers built around 40% of new homes. Today, estimates suggest they account for roughly 9%. Reversing this long-term decline will be essential if the Government is serious about diversifying the housing market, increasing competition and boosting housing delivery.

The latest FMB Small House Builders' Survey shows that demand remains strong, with 73% of small house builders anticipating robust buyer demand. However, builders continue to face significant barriers which prevent them from increasing output. Almost half identify the planning system as the single greatest constraint on their ability to build more homes, while a third cite a lack of available land.

Planning

The planning system remains the single greatest barrier to SME house builders increasing housing delivery. The latest FMB Small House Builders' Survey 2025 found that 47% of respondents identified planning as the biggest constraint on their ability to build more homes.

While recent planning reforms are welcome, the experience of small developers suggests that delays and costs within the planning process continue to undermine viability. Information requirements, Section 106 negotiations and under-resourced planning departments remain among the leading causes of planning delay. Additional costs are also created through lengthy processes, specialist consultant requirements and supporting reports.
These pressures fall particularly heavily on SME developers, which typically have fewer resources than larger house builders to absorb delays, rising professional fees and increased borrowing costs. The result is that viable sites are often delayed, scaled back or not brought forward at all.

The Government should therefore provide targeted support to local authority planning departments and consider dedicated SME planning officers to help smaller developers navigate the system more efficiently. Improving planning capacity would accelerate housing delivery while supporting a more diverse and competitive housebuilding market.

- ***Support local authorities to boost planning team capacity and help smaller developers through the system.***

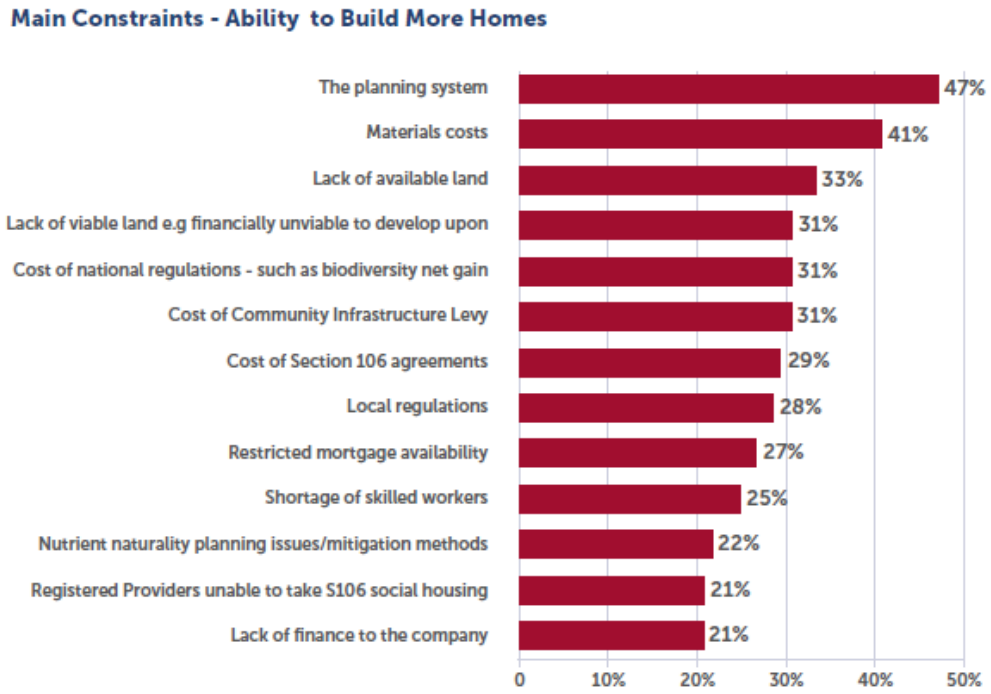
Financing

Access to finance remains one of the most significant barriers to SME house builders delivering new homes. While demand for housing remains strong, many smaller developers continue to face challenges securing affordable finance and managing the increasing costs associated with development.

The latest FMB Small House Builders' Survey shows that finance-related barriers remain a significant constraint on housing delivery. Lack of finance to the company continues to rank amongst the most significant obstacles to increasing output, while a range of lending-related challenges continue to affect the viability of development projects.

Graph 1[3]

[3] FMB Small House Builders' Survey 2025



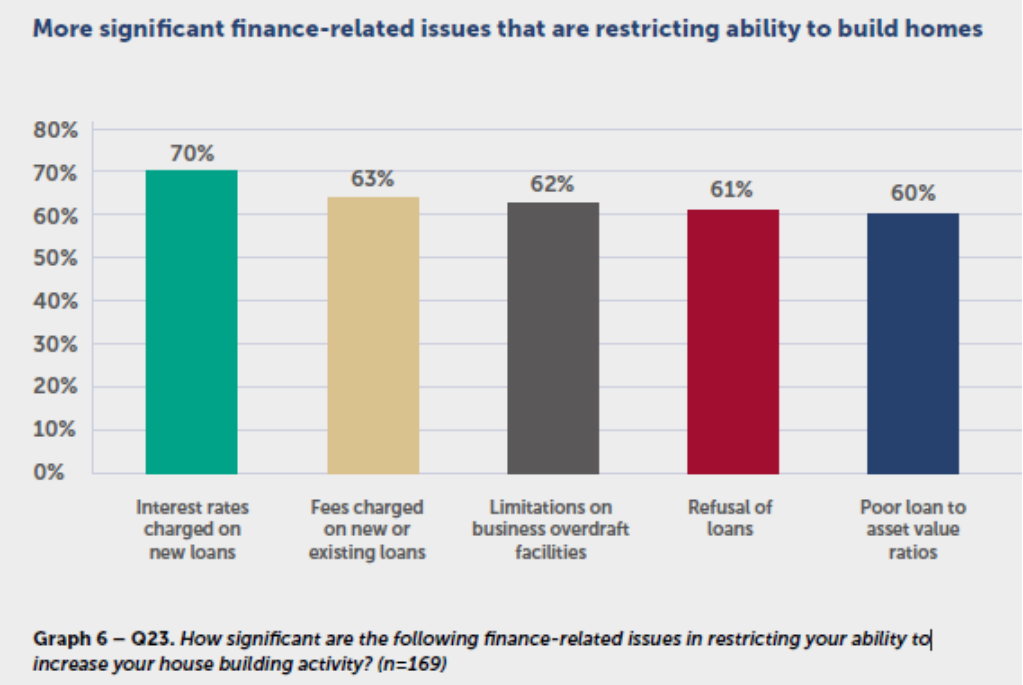
Graph 4 – Q14. ***What would you say are currently the main constraints, if any, on your ability to build more homes? (n=169)***

The broader economic environment has led to tighter lending conditions, with many lenders requiring higher deposits, more detailed project information and stronger evidence of viability. This can make it harder for SME developers to secure finance and bring forward housing sites, particularly when compared with larger developers that have greater access to capital and borrowing facilities.

The latest survey evidence also shows that interest rates on new loans, loan-to-value ratios, restrictions on overdraft facilities and lending fees remain among the most significant finance-related issues affecting house building activity.

Graph 2[4]

[4] FMB Small House Builders' Survey 2025

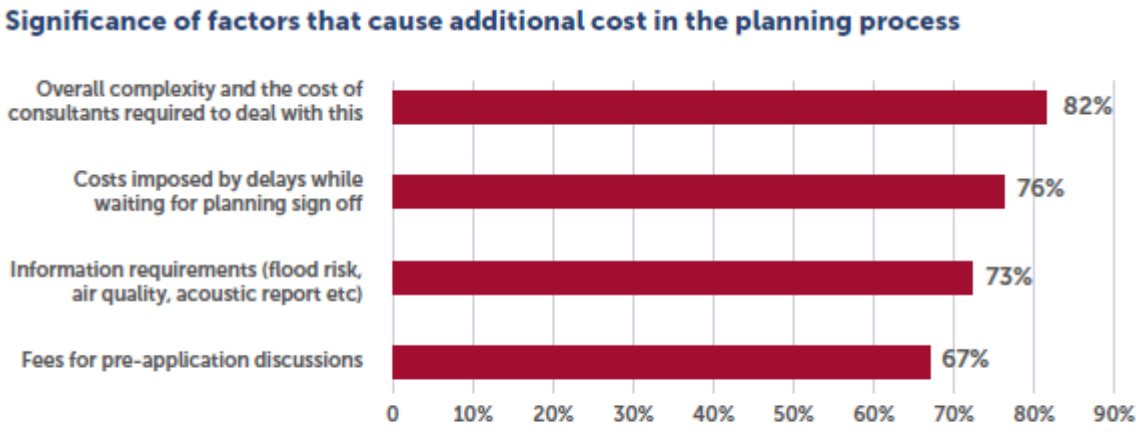


Graph 6 – Q23. ***How significant are the following finance-related issues in restricting your ability to increase your house building activity? (n=169)***

The Government's National Housing Delivery Fund, alongside Homes England's commitment to release more land to SME developers, represents a welcome step towards improving access to development finance. However, it will be important to ensure that these initiatives are genuinely accessible to smaller builders and not concentrated amongst larger firms operating at the upper end of the SME market.

Government-backed finance schemes should be designed around the needs of smaller developers, helping them secure land, manage cashflow and bring forward viable housing sites. If the Government is serious about increasing housing delivery and diversifying the market, it must ensure that smaller builders can access the finance needed to grow their businesses and build more homes.

Table 1[5]



Graph 15 – Q20. ***How important would you rate the following as causes of additional cost in the planning process? (n=169)***

The evidence set out above demonstrates that many of the barriers to housing delivery are financial in nature, either directly through access to finance or indirectly through the cumulative costs created by the planning system. Addressing these barriers would help improve viability, increase competition and support a greater contribution from SME house builders towards the Government's housing ambitions.

- ***Review the financial burdens placed on smaller developers by the planning system which hinder housing delivery, particularly unnecessary planning application information.***
- ***Ensure government-backed finance schemes are accessible to smaller house builders and support them to bring forward new homes.***

Energy Efficiency

Retrofitting is a win-win. It lowers bills, warms homes, improves health, and helps to strengthen the UK's energy security. At a time when many households continue to face pressure from the cost of living, improving the energy efficiency of existing homes remains one of the most effective ways to reduce energy consumption and cut bills.

The publication of the Government's Warm Homes Plan is therefore welcome. The commitment to invest £15 billion to upgrade up to five million homes by 2030 demonstrates the scale of ambition now being shown by Government. However, while this investment represents a significant step forward, most of the UK's housing stock will still require upgrading over the coming decades. The challenge is now one of delivery and creating a sustainable long-term market for home energy improvements. The Plan itself states that it aims to upgrade up to five million homes and support up to 180,000 jobs by 2030.

The UK's housing stock remains amongst the least energy efficient in Europe. Homes account for around 35% of the UK's energy use and approximately 20% of carbon dioxide emissions. We still have around 29 million homes that will require energy efficiency

[5] FMB Small House Builders' Survey 2025

improvements over the coming decades. Improving the performance of existing homes will require a coordinated approach to insulation, heating systems, ventilation and wider building improvements, supported by high standards of design, installation and consumer protection.

Local builders are the most numerous part of the construction industry and are ideally placed to help deliver these improvements. They have established relationships with homeowners and are well positioned to provide advice and undertake energy efficiency improvements as part of wider home improvement projects. However, builders require confidence that there will be a stable pipeline of work before investing in additional training, accreditation and new services.

VAT

Public funding alone will not be sufficient to drive the scale of investment required. Tax policy also has an important role to play in encouraging homeowners to improve the energy performance of their properties.

The Government should use the Autumn Budget to reform VAT relief for energy efficiency improvements. While the existing VAT relief available on certain energy saving materials is welcome, the distinction between eligible energy efficiency works and wider housing improvement works remains unnecessarily complex. In practice, energy efficiency measures are often delivered as part of broader repair, maintenance and improvement projects, making the current system difficult for both builders and consumers to navigate.

Improving the energy performance of existing homes will require significant private investment alongside government programmes. The tax system should support, rather than discourage, homeowners seeking to undertake these improvements. This is particularly important given that the vast majority of the UK's housing stock will still require upgrading beyond the homes directly supported through the Warm Homes Plan.

Previous FMB research found that a temporary reduction in VAT on the labour element of home improvement works would generate a significant stimulus to the economy, protect jobs and help reduce carbon emissions from existing buildings. Our research showed that reducing VAT from 20% to 5% over a five-year period would generate a total economic stimulus of £51 billion and support 345,000 jobs in construction and the wider economy. It would also help improve the quality and condition of the UK's housing stock, supporting productivity and reducing pressure on public services.

A simpler and broader VAT framework would help encourage homeowners to invest in energy efficiency improvements, support local builders delivering this work and complement the objectives of the Warm Homes Plan.

- ***Simplify and extend VAT relief for housing improvement work which includes measures to improve the energy efficiency of a home.***

Support for the market

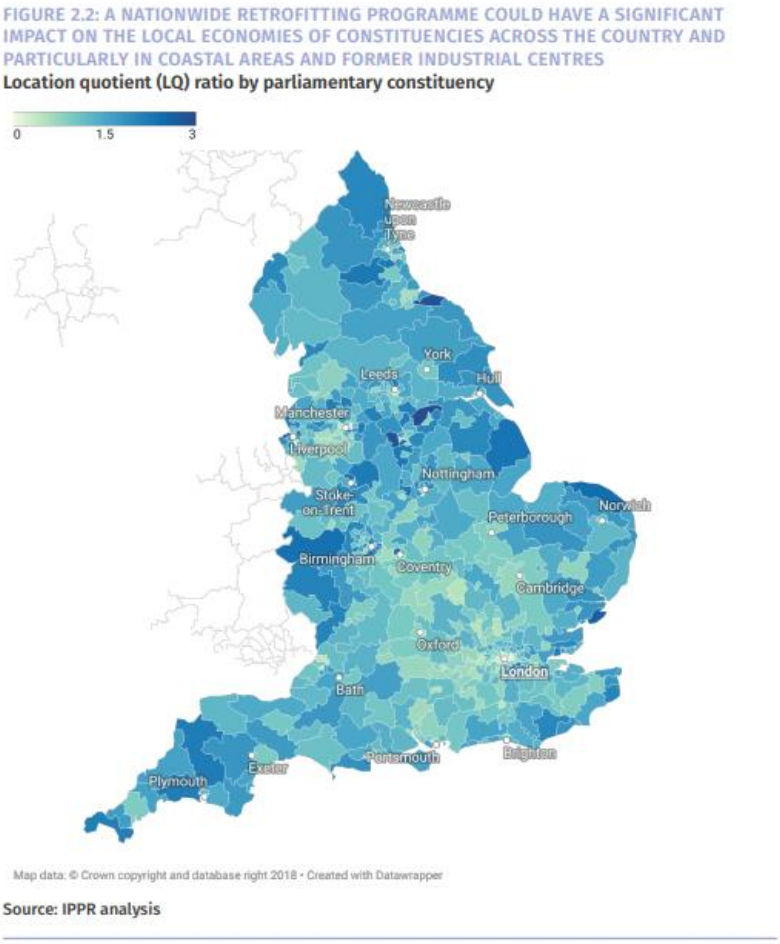
There is a lack of an overt retrofitting market for the owner occupier. This is the largest proportion of the housing stock and contains some of the oldest housing in Europe. This housing stock will inevitably need upgrading over the coming decades, but there remains a lack of long-term market demand. Most homes requiring energy efficiency improvements will continue to sit outside direct government-funded programmes. A sustainable owner-occupier

market will therefore remain essential if the UK is to improve its housing stock at the scale required.

With a healthy market created through financial incentives to homeowners, via green mortgages, stamp duty incentives or other measures, builders will have greater confidence to invest in training and new services. A strong domestic retrofit market would help develop the workforce needed to improve the UK's housing stock while creating opportunities for local builders and specialist contractors.

Local economies would also benefit from retrofit activity and become a significant source of employment. Research by the FMB in collaboration with IPPR[6] used location quotient analysis to demonstrate the potential uplift in local employment opportunities resulting from a nationwide retrofit programme (see Image 1). Historically under-invested communities, including former industrial towns and coastal areas, stand to benefit particularly strongly from increased retrofit activity.

Image 1



We urge the Government to view retrofitting as an economic driver rather than simply a cost. A comprehensive programme of home upgrades has the potential to create economic growth, support skills development and improve health outcomes through energy efficient and healthier homes.

[6] September 2022, IPPR, Train Local, work local, stay local: Retrofit, growth and levelling up

- ***Provide long-term funding and incentives for owner occupiers to upgrade their homes, including those not covered by government-funded schemes.***

Delivery

Local builders will play a critical role in improving the energy efficiency of the UK's housing stock. The Government should ensure that delivery mechanisms are accessible to SME builders and help build the supply chain capacity needed to deliver retrofit and home energy improvements at scale. Public investment should stimulate demand, encourage investment in skills and training, and give SME builders the confidence to expand their retrofit services. Funding should also be in place to enable a long-term policy solution.

A successful retrofit market cannot be built solely around short-term programmers. Builders need certainty that demand will continue beyond individual funding schemes if they are to invest in new skills, accreditation, and capacity. Delivery of the Warm Homes Plan should therefore be viewed as an opportunity to create a lasting market for home energy improvements rather than a standalone intervention.

- ***Ensure delivery of the Warm Homes Plan supports SME builders and has funding in place for the long term to discourage stop, start policy initiatives.***

Skills

The Government has been clear about its focus on economic inactivity and supporting the labour force to help grow the economy. Construction faces two related skills challenges, and this Budget is an opportunity to begin to address them.

The green skills challenge

Meeting the scale of retrofit installations required to improve the UK's housing stock requires both a skills plan and long-term investment in the workforce. The Government's ambition to upgrade up to five million homes through the Warm Homes Plan will increase demand for skilled workers across the retrofit supply chain, while the Plan itself estimates it could support up to 180,000 jobs by 2030.

The Construction Leadership Council's (CLC) National Retrofit Strategy models the need for 500,000 jobs by 2040. The CITB has also estimated that the construction industry will require an additional 206,000 workers by 2030, equivalent to around 41,200 extra workers every year[7]. Local builders will be central to delivering housing, retrofit and wider construction activity, but many are not yet training in sufficient numbers to meet future demand.

To help address this challenge, the FMB supports the creation of skills academies, as explored in the previously noted IPPR research, to distribute funding and support the rollout of high-quality training. The key role of these academies would be to work with employers, local authorities, training providers and other stakeholders to identify local skills needs and ensure training leads to high-quality employment opportunities.

[7] https://www.citb.co.uk/cwo/index.html

FMB research has shown that to help deliver retrofit at scale, a broad foundation in buildings and energy efficiency should be integrated into construction training before learners specialise. Our research also highlighted that many builders currently lack the skills needed to deliver the increasingly complex systems associated with retrofit and home energy improvements.

In support of the sector's aim to deliver on decarbonisation and improve the UK's housing stock, support should be provided to SMEs to help them take on apprentices. SMEs frequently tell us that the administrative burden associated with apprenticeship training remains a significant barrier. Administration should not stand in the way of training the next generation of builders. We therefore encourage funding for support services that can help businesses navigate apprenticeship requirements and reduce the burden on small employers. Builders can then focus on what they do best, which is providing practical training and developing occupational competence.

It has been suggested by industry stakeholders that regional administrative hubs could help alleviate some of the burdens associated with apprenticeship training and wider workforce development. The FMB would support funding for the rollout of such initiatives.

- ***Funding needs to be introduced to help builders with the administrative burdens of apprentice training by funding support services in the sector to directly engage with builders.***

Young people Not in Education, Employment or Training (NEETs)

The Government has made reducing the number of young people who are not in education, employment, or training (NEET) a key priority. Construction should be central to this agenda. The industry offers practical, skilled, and well-paid careers, but too many young people are not being given a clear and supported route into the sector.

The Build Academy is an employer-led programme developed in response to skills challenges faced by FMB members. It brings together employers, training providers, and industry partners to help young people become site-ready and progress into employment, apprenticeships, or further training. Unlike more traditional routes which can move learners quickly into a single trade specialism, Build Academy gives participants a broader grounding in construction so they can understand different trades, build confidence, and develop the practical site-readiness skills SMEs need.

The success of the first pilot demonstrates the value of this model. The first cohort has now graduated, with learners receiving work placements, masterclasses, mentoring, and support from FMB members and industry partners. The programme shows that a targeted, construction-specific route can help young people gain practical experience and move closer to real employment opportunities.

For small building companies, a UK-wide network of Build Academies would help create a stronger pipeline of motivated, site-ready new entrants. For government, it would provide a practical way to reduce economic inactivity while supporting the workforce needed to deliver housing, retrofit and infrastructure ambitions.

Government funding should enable a UK-wide network of Build Academies, targeted at young people who are not in education, employment or training and designed in partnership with employers to create clear pathways into construction jobs, apprenticeships, and further skills training.

- ***Fund a UK-wide network of Build Academies to support young people who are not in education, employment or training (NEET) into construction jobs, apprenticeships, and further skills training.***

Protecting Consumers

The Government's recent proposals to strengthen consumer protection in the domestic building sector are welcome. The FMB has long argued that rogue traders damage consumer confidence, undermine reputable businesses and weaken trust in the wider construction industry. Measures to improve redress and provide greater protection for consumers therefore represent a positive step forward.

The economic case for action is clear. FMB research has estimated that UK homeowners have lost around £14.3 billion over the past five years[8] to rogue builders. Separate research by the FMB and HomeOwners Alliance found that fear of rogue traders prevents homeowners from spending an estimated £11.2 billion on home improvement work each year[9]. This represents a significant loss to the wider economy, as well as to reputable building firms who miss out on work because consumers lack confidence in the market.

However, any new consumer protection regime must be effective, proportionate and capable of operating at scale. The domestic construction sector is highly fragmented, comprising hundreds of thousands of businesses, the vast majority of which are micro and small firms. The practical challenges associated with funding, administration, enforcement and dispute resolution should not be underestimated.

Consumer protection and redress

The Government's proposals appear likely to involve a greater role for consumer redress schemes and Ombudsman services. While access to redress is important, any new system must be carefully designed to ensure it delivers value for money for consumers, businesses and taxpayers.

The scale of the challenge is significant. Construction is characterised by a high volume of relatively low-value disputes, alongside a smaller number of highly complex and high-value cases. Experience from the FMB's own disputes service demonstrates that many issues can be resolved through mediation before formal adjudication becomes necessary.

The FMB's disputes service resolves approximately 80% of cases through constructive engagement between both parties. Around half of cases are resolved through a mutually agreed compromise, while only a small proportion require escalation to an Ombudsman service. This approach provides a faster and more cost-effective route to resolution while helping preserve relationships between consumers and businesses.

A national consumer redress scheme would also require significant technical expertise. While technology and digital triage can help manage case volumes, construction disputes

[8] https://www.fmb.org.uk/resource/cowboy-builders-could-be-costing-brits-a-staggering-14-3-billion.html
[9] https://www.fmb.org.uk/resource/consumer-confidence-in-builders-costs-uk-economy-11-2bn-a-year.html

frequently require input from experienced building professionals capable of assessing workmanship, contractual obligations and technical standards. At a time when the industry already faces significant skills shortages, sourcing sufficient expertise could prove challenging.

The Government should therefore ensure that mediation and dispute resolution remain at the heart of any future consumer protection framework. Ombudsman services should operate primarily as an escalation route where earlier attempts at resolution have been unsuccessful.

- ***Conduct a full assessment of the funding, enforcement and administrative costs associated with the Government's proposed consumer protection reforms before implementation.***
- ***Ensure any consumer redress scheme prioritises mediation and dispute resolution before escalation to an Ombudsman service, reducing costs for consumers, businesses and taxpayers.***

Licensing

While consumer redress is important, it addresses problems after they have occurred. The underlying challenge remains one of competency. Consumers are best protected when poor workmanship is prevented in the first place rather than remedied after the event.

The FMB continues to support the introduction of a mandatory licensing scheme for domestic building companies. Licensing would provide consumers with greater confidence when selecting a builder, establish minimum competency requirements across the sector and help raise standards throughout the industry.

The Government's recent proposals focus primarily on consumer protection, contractual arrangements, and routes to redress. While these measures may help improve outcomes for consumers, they do not directly address the issue of competency. Without a mechanism to ensure minimum standards amongst those operating in the domestic building market, rogue traders will continue to be able to enter the sector and expose consumers to poor workmanship and financial loss.

A licensing regime would complement wider consumer protection reforms by helping to prevent problems before they arise. Combined with effective enforcement and proportionate redress mechanisms, it would provide a more comprehensive and long-term solution to the challenges facing the domestic building sector.

- ***Develop a mandatory licensing scheme for domestic building companies to improve competency, protect consumers and provide a long-term solution to rogue traders.***