



## **Federation of Master Builders (FMB)**

**response to:**

### **Autumn Budget 2025**

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#### **Further information:**

Jeremy Gray  
Head of External Affairs  
[externalaffairs@fmb.org.uk](mailto:externalaffairs@fmb.org.uk)

## 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 builders sit at the heart of supporting the economy, creating new jobs and training the next generation of builders with skills fit for 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 be healthier.

## Response

### Current status of the industry

The FMB has welcomed the new Government's commitment to "get Britain building again" and its pledge to deliver 1.5 million new homes over the course of this Parliament. Reforms aimed at tackling long-standing barriers to housing delivery, including planning reform, SME support, and investment in retrofit and skills are valuable steps.

Streamlined processes for small sites and the introduction of a new 'medium site' category are a welcome step toward reducing regulatory burdens and unlocking housing delivery. However, inflationary pressures remain embedded in the construction sector. Rising material costs, labour shortages, and increased wage demands continue to impact SME builders across all sectors, from repair, maintenance and improvement (RMI) to new housing. The latest data shows material cost inflation remains high, with some inputs up over 60% since 2020, and labour costs rising by over 7% year-on-year.

The FMB continues to monitor the health of the SME construction sector through its twice-yearly State of Trade Surveys, the longest-running temperature check of the micro and SME construction industry. The latest data from the first half of 2025 shows that builders are still facing significant pressures, although there are signs of stabilisation in some areas. 42% of members reported a decrease in enquiries for future work. 31% said they were likely to restrict hiring due to rising costs. Over 50% of respondents reported lower-than-expected profits or anticipated losses. 68% of members reported an increase in material costs - a continuation of the inflationary trend seen since 2020. These figures highlight the persistent cost pressures and subdued demand facing SME builders.

In the first half of 2025, 68% of FMB members reported an increase in material costs - continuing a trend that has persisted since early 2020. While some cost pressures have begun to stabilise, there is concern that elevated prices may become embedded in the sector, turning what was initially seen as a short-term shock into a long-term legacy. High material and labour costs continue to impact productivity and profitability across the SME construction industry.

## Key Indicator Graph<sup>1</sup>



Graph 1 – Q3. Looking back, how does your company's workload in the period of January to June 2025 (H1) compare to that in October to December 2024 (Q4), thinking about total workload, and in the specific sectors of the industry that you work in? Base: Total workload (n=458) Q6. Looking back, how has the level of enquiries regarding future work changed in the period of January to June 2025 (H1) compare to that in October to December 2024 (Q4), thinking about total enquiries, and in the specific sectors of the industry that you work in? Q8. How has the number of employees within your company's workforce changed during the period of January to June 2025 (H1) compare to that in October to December 2024 (Q4)? (n=458) Net balance of change

## Key points

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

### 1. Housing

- Reverse plans for the Landfill tax quarry exemption given its likely impact on housing delivery.
- Support for local authorities to boost planning team capacity which helps smaller developers through the system.
- Review financial burdens placed on smaller developers by the planning system which hinder housing delivery. Particularly removing unnecessary planning application information.

### 2. Energy Efficiency

- The Government needs to ensure that the tax system does not burden house holders or builders looking to carry out energy efficiency work. VAT should be removed across all areas of housing improvement if an element contains improvements that will improve energy efficiency of a dwelling.
- Funding or incentives for owner occupiers to upgrade their homes to help boost historically under invested communities.
- Financially back the outcomes of the Retrofit Systems Reform Advisory Panel in regard to licensing the retrofit installation market.

### 3. Skills

- 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.

<sup>1</sup> [FMB State of Trade Survey H1 2025](#)

- Small construction companies need to reduce the risk from employing an apprentice. This could be delivered through grants or tax reductions to help boost apprenticeship numbers.

## Housing

Currently, SME house builders face unprecedented change, with increased costs and administrative burdens caused by biodiversity net gain measures, nutrient neutrality mitigation and sustainable drainage issues. They now also have to contend with the Future Homes Standard, which requires new materials and equipment for new homes, which adds cost. Beyond these current concerns there are ongoing cost drains on small house builders caused by planning issues and other statutory obligations.

### Landfill Tax

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.

- ***Reverse plans for the Landfill tax quarry exemption given its likely impact on housing delivery***

### Planning

The FMB supports the Government’s ambitions to deliver 1.5 million homes. However, it will be difficult to achieve this without diversifying the market and increasing the number of SME house builders bringing forward new homes. Reversing the decline in SMEs, who in the 1980s built 40% of new homes, but today estimates suggest build less than 10%, according to MHCLG, will be key. Restoring SME market share will unlock better designed homes built by local people, helping economic growth locally.

The FMB House Builders’ Survey 2024<sup>2</sup> identified that the planning system was the biggest barrier to SMEs increasing their output of new homes that year. Further issues raised as obstacles were a lack of available land. Local builders have called for the creation of SME liaison officers designed to focus specifically on SME planning applications to help the difficulties navigating the planning system. This could be funded by the recent increase in planning contributions but must be competency-tested based on local authority performance. However, given the current set of financial burdens on developers, as set out below, we

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<sup>2</sup> [Federation of Master Builders, House Builders’ Survey 2024](#)

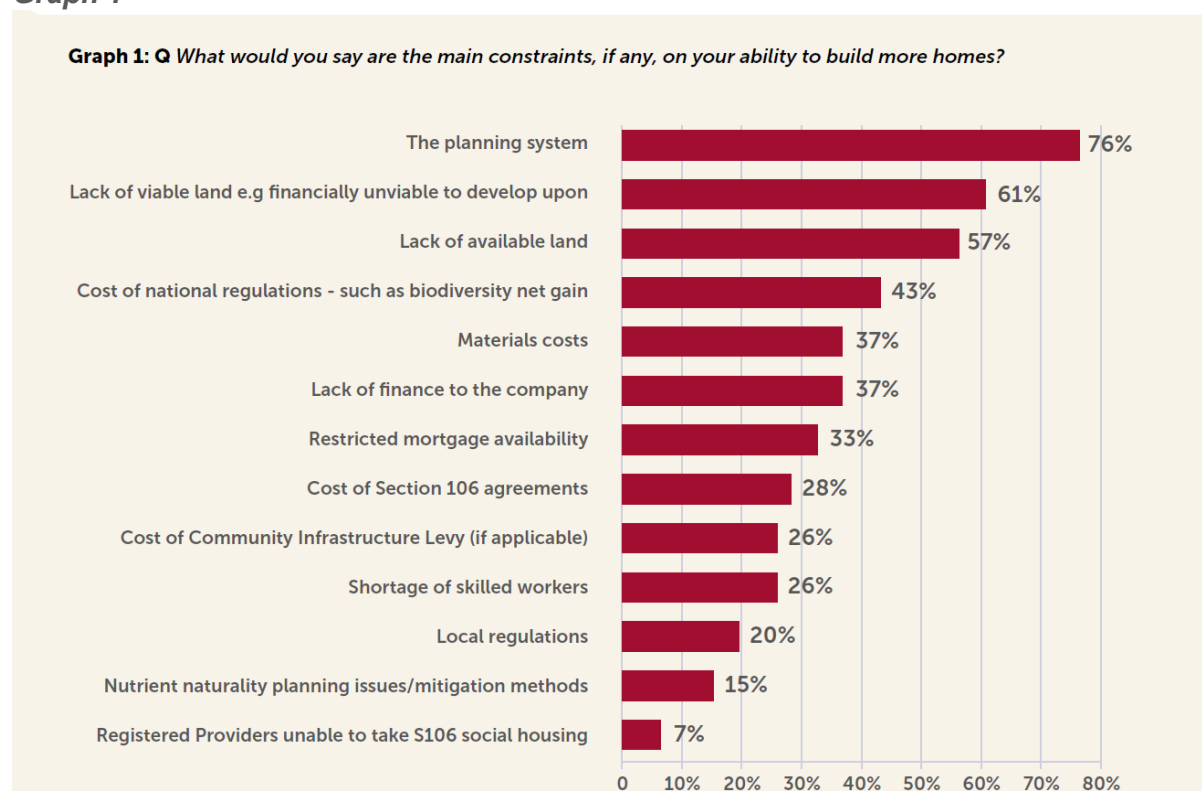
would urge this be directly funded by central government to help encourage the growth of smaller house builders.

## Financing

In the FMB's most recent House Builders' Survey, access to finance remains one of the most significant barriers to SME house builders delivering new homes. While restricted mortgage availability was cited by 33% of respondents - down from 51% in 2023 - it continues to impact builders reliant on the custom and self-build market, where 57% of FMB members typically acquire their financing. The broader economic environment, including persistently high interest rates, has led to tighter lending conditions, with many lenders requiring higher credit scores, larger deposits, and more detailed project documentation. This has made it harder for consumers to secure financing, directly affecting builders whose work depends on private contracts.

The Government's recent announcement of a National Housing Delivery Fund, alongside Homes England's commitment to release more land exclusively to SMEs, offers a promising route to improve long-term finance options, including revolving credit facilities and lending alliances. However, further action is needed to ensure these measures are accessible and impactful for smaller developers.

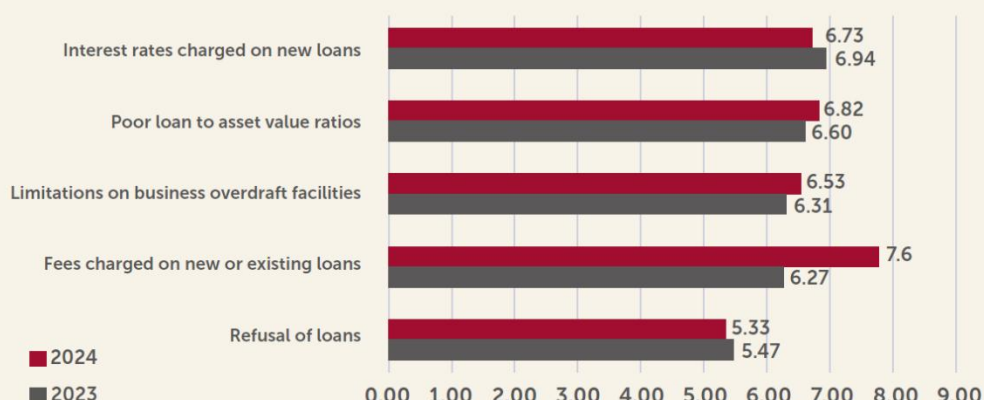
### Graph 1



Issues with mortgages likely reflect the turbulent economic market since the final months of 2022. With lenders cutting back on the mortgage packages they are offering, this impacts builders reliant on consumer contracts. With the majority of work that FMB house builders carry out coming from private clients they, could be directly affected by customers being unable to obtain financing to fund the delivery of their homes.

### Graph 2

**Graph 17: Q. How significant are the following finance-related issues in restricting your ability to increase your house building activity (out of 10, with 0 being not significant at all and 10 being extremely significant)?**



Despite a modest reduction in the Bank of England base rate to 4.5%, interest rates on development loans continue to be a significant barrier. Smaller developments often carry higher risk ratings, making it harder for SMEs to secure funding under favourable terms. Traditional lenders remain cautious, with stricter affordability tests and higher deposit requirements. Loan-to-value (LTV) ratios also remain elevated for small developers, limiting borrowing capacity.

Lack of finance continues to rank among the top five issues affecting SME builders. Most barriers to housing delivery are financial — either directly, through access to capital, or indirectly, through planning delays that increase costs. As shown in Graph 1, direct financial pressures dominate, while Table 1 highlights how planning-related costs alone can significantly impact viability.

**Table 1**

| Causes of additional cost                                                 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---------------------------------------------------------------------------|------|------|------|------|------|------|------|
| Overall complexity and the cost of consultants required to deal with this | 3.92 | 4.04 | 4.1  | 4.08 | 3.77 | 4.02 | 4.01 |
| Excessive information requirements                                        | 3.87 | 4.01 | 4.16 | 3.96 | 3.74 | 4.19 | 4.2  |
| Costs imposed by delays in the system                                     | 3.86 | 4.08 | 4.01 | 3.94 | 3.73 | 3.95 | 4.17 |
| Fees for pre-application discussions                                      | 3.34 | 3.47 | 3.54 | 3.54 | 3.23 | 3.59 | 3.64 |

We would urge the Treasury to take a comprehensive look at the financial burdens placed on small developers, to ensure they are operating within a competitive market. We understand that some of the current pressures are created by wider economic issues, some outside of the control of government, but many could be addressed with progressive changes to the operating environment which small house builders operate within.

- ***Support for local authorities to boost planning team capacity which helps smaller developers through the system.***
- ***Review financial burdens placed on smaller developers by the planning system which hinder housing delivery. Particularly removing unnecessary planning application information.***

## Energy Efficiency

Retrofitting is a win-win, it lowers bills, warms homes, improves health, and helps to improve the UK's energy security. During a cost-of-living crisis, people are looking for solutions to help make sure they can keep their homes warm, but also spend less. The UK's housing stock is currently one of the most energy inefficient in Europe. Our homes account for 35% of the UK's energy use and emit 20% of total carbon dioxide emissions. Retrofitting the nation's homes will require an integrated approach to transforming the energy and water needs and technical systems in homes, requiring quality in design, installation, and customer care. We have 29 million leaky and energy inefficient homes in this country that need retrofitting. There has been a 95% decline in the installation of domestic energy efficiency measures using government schemes since 2012. The Government needs to act.

Local builders are the most numerous element of the construction industry, with the closest relationship to consumers, and are ideally placed to deliver retrofit. They have existing and trusted relationships with homeowners and are well positioned to help educate consumers about the energy needs of their home as part of larger improvement projects. However, not enough builders currently have the right skills, or access to the direction of a Retrofit Coordinator, to help them get the job done.

The Government should use the Autumn Budget to reform VAT reduction measures on energy efficiency product installation. While the existing scheme is welcome, the complexity of separating installation from other building works has led to poor understanding and take up by the industry. Broadening it out to all RMI work would help alleviate this issue and boost the sector as a whole.

Previous research by the FMB found that a temporary cut in VAT on the labour element of all home improvement works would generate a significant stimulus to the economy, protect jobs and help reduce carbon emissions from existing buildings. Our research shows that cutting VAT from 20% to 5% over a five-year period would generate a total stimulus of £51 billion, and unlock 345,000 jobs, in construction and the wider economy.<sup>3</sup> It would also help improve the quality and state of repair of our housing stock, supporting productivity and reducing the burden on the NHS. The Government must establish its own competitive tax policy framework, and this measure would set renovations on an equal footing to new build.

- ***The Government needs to ensure that the tax system does not burden house holders or builders looking to carry out energy efficiency work. VAT should be removed across all areas of housing improvement if an element contains improvements that will improve energy efficiency of a dwelling.***

### Support for the market

There is a lack of a 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 next few decades, but there is a lack interest from builders – who will predominantly deliver the upgrades, because there is no market. With a healthy market created through financial incentives to homeowners, via green mortgages or a reduction in stamp duty for example. A healthy domestic retrofitting market will help train

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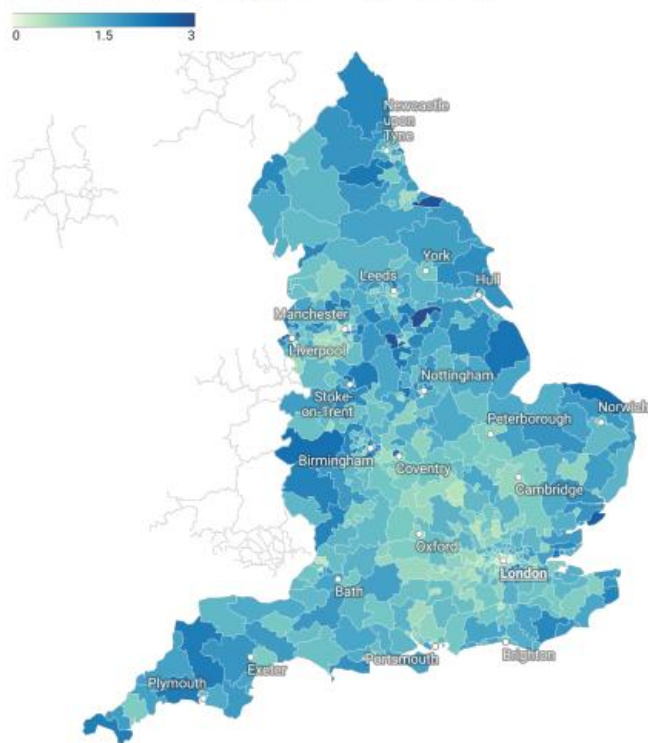
<sup>3</sup>FMB, RICS, CBI Economics, [Cut the VAT: A proposal for building back better and greener](#)

up builders in new 'green' skills and stimulate local economies, once they see it as a tangible sector to work in.

Local economies would be set to benefit from retrofitting and become a key source of employment. Research by the FMB in collaboration with IPPR<sup>4</sup> used location quotient analysis to show the uplift in local employment opportunities as a result a nationwide retrofitting programme (see image 1). It is clear that historically underinvested communities, such as ex industrial towns and coastal communities would benefit the most from a widespread retrofitting scheme, with the retrofit supply chain and direct jobs representing a significant proportion of employment, in Middlesbrough South and East Cleveland for example it could be up to 14% of employment.

Image 1

**FIGURE 2.2: A NATIONWIDE RETROFITTING PROGRAMME COULD HAVE A SIGNIFICANT IMPACT ON THE LOCAL ECONOMIES OF CONSTITUENCIES ACROSS THE COUNTRY AND PARTICULARLY IN COASTAL AREAS AND FORMER INDUSTRIAL CENTRES**  
**Location quotient (LQ) ratio by parliamentary constituency**



Map data: © Crown copyright and database right 2018 • Created with Datawrapper

Source: IPPR analysis

<sup>4</sup> September 2022, IPPR, [Train Local, work local, stay local: Retrofit, growth and levelling up](#)

We urge that the Government look seriously at retrofitting as an economic driver, rather than a drain on public finances, which stop start initiatives in the past may have lent themselves towards. A comprehensive plan to improve homes will ultimately create economic uplift and develop skills and this is not taking into account the potential benefits to health outcomes as a result of improved housing, which would save the NHS and supporting services money.

- ***Funding or incentives for owner occupiers to upgrade their homes to help boost historically under invested communities.***

## Competency

With the recent scandals from the Energy Company Obligation (ECO) regime, it's clear that the industry lacks the needed standards to deliver domestic retrofitting work. We're clear that the industry ultimately needs underpinning with minimum competence levels for builders, as currently there are none. However, given the need to upgrade homes to ensure they are fit for the future will require more immediate action. This action should support the creation of a licensing regime to carry out retrofit work. There is work ongoing with the Retrofit Systems Reform Advisory Panel (RSRAP) within DESNZ which is working towards a licensing regime for this part of the industry. The Energy, Security and Net Zero Select Committee have also backed such a move. We would encourage the treasury to support the outcomes from the RSRAP to ensure consumers aren't once again conned into poor insulation installation and so money received from Energy Companies via the ECO scheme isn't wasted on fraudulent claims.

- ***Financially back the outcomes of the Retrofit Systems Reform Advisory Panel in regard to licensing the retrofit installation market.***

## 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 reach Net-Zero requires both a skills plan and resourcing. The CLC's National Retrofit Strategy models the need for 500,000 jobs by 2040. CITB presents similarly alarming demand levels, of 251,000 new construction roles by 2028<sup>5</sup> Local builders will be key to delivering retrofit but are not yet training in sufficient numbers to do so. To overcome this, the FMB endorses the creation of skills academies (as explored in IPPR research<sup>6</sup>) to distribute funding and to support and coordinate the rollout of high-quality training. The key tasks of these academies would include working with key stakeholders including trade unions, local employers, local authorities, and skills advisory panels to identify local upskilling, reskilling and new skills needs and ensure training leads to high-quality jobs.

FMB research has shown<sup>7</sup> that to help deliver the full-scale of retrofitting opportunities a broad foundation course in buildings and energy should be integrated into all construction

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<sup>5</sup> March 2021, CITB, [Building skills for net zero](#)

<sup>6</sup> September 2022, IPPR, [Train local, Work Local, Stay Local: Retrofit, growth, and levelling up](#)

<sup>7</sup> July 2021, FMB, CREDS, [Building on our strengths: A market transformation approach to energy retrofit in UK homes](#)

training, so that trainees have a common basis of understanding before specialising. The research also highlighted that our members, and wider industry, currently lack the skills to properly deliver the complex systems associated with retrofitting. A broad foundation in building and energy efficiency would also go some way to ensure that the consumer is protected from 'cowboy' builders offering to supply and fit products they have little knowledge of.

In support of the sector's aim, to deliver on greening the built environment and to help them take on new staff to achieve this, support should be provided to SMEs to onboard apprentices. SMEs find the administrative burdens of apprentices quite a high bar to cross, but this is because they are not sufficiently supported through the process. We do not think that administration should stand in the way of onboarding new apprentices and would therefore encourage funding to help support schemes through sector bodies to create capacity for greater stewardship of the administrative part of apprentice training. Builders can then stick to what they do best, which is the practical training of the apprentice. It has been suggested from within the industry that administrative hubs are developed around the country to help alleviate SMEs of general administrative burdens, we'd support funding for this rollout.

- ***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.***

## **National Insurance**

As is well known the increase in National Insurance has not been well received by many organisations, it's had a particular impact on smaller businesses bottom lines. With costs on the rise, 34% of builders<sup>8</sup> have restricted hiring which is having an impact on delivery, with half of companies delaying jobs due to a lack of skilled workers.<sup>9</sup> The Government should look closely at the tax burden on industries it's relying on to deliver growth, particularly foundation sectors like construction.

## **Incentives for Apprentices**

Our members have made clear to us that the burden to hire apprentices is too high in terms of administration burden and cost. With the drop out rate so high at around 50% for apprentices, the risk to a business in terms of wasted investment is significant with the costs to train being in the tens of thousands. This investment in training can easily be wasted with an apprentice who drops out or who moves on to another company. A small company would need financial and administrative support to help train apprentices to balance the risk from the investment. We encourage the government to look at further tax breaks or grant incentives to encourage businesses to take on apprentices.

- ***Small construction companies need to reduce the risk from employing an apprentice. This could be delivered through grants or further tax reductions to help boost apprenticeship numbers.***

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<sup>8</sup> September 2025, [State of Trade Survey H1 2025](#)

<sup>9</sup> September 2025, [State of Trade Survey H1 2025](#)