

Business and Trade Committee

Oral evidence: Small business strategy, HC 1057

Tuesday 1 July 2025

Ordered by the House of Commons to be published on 1 July 2025.

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Members present: Liam Byrne (Chair); Antonia Bance; John Cooper; Sarah Edwards; Alison Griffiths; Sonia Kumar; Charlie Maynard; Mr Joshua Reynolds; Matt Western; Rosie Wrighting.

Questions 67 to 93

Witnesses

III: Brian Berry, Chief Executive, Federation of Master Builders; Paul Brain, Managing Director, Ashcroft Services Ltd.

Examination of witnesses

Witnesses: Brian Berry and Paul Brain.

Q67 Chair: Welcome to this third panel in today's hearing, as we launch our inquiry into the small business strategy. Thank you so much, Brian Berry and Paul Brain, for joining us today.

I want to kick off our questions about the construction industry. Paul, perhaps you could kick off. Give us a sense of how the industry is feeling right now about the economy.

Paul Brain: At the moment, there are probably two answers to that. The company that I run deals with the refurbishment of roofs rather than new builds. The refurbishment side of the business is quite buoyant at the moment. Lots of local authorities, councils and housing associations are carrying out lots of retrofit and refurbishment work. That is retrofit, solar panels and upgrading their homes.

Q68 Chair: That bit is booming.

Paul Brain: It is. The flip side of that is the new builds. I am the current chair of the National Federation of Roofing Contractors for the south-west and south Wales. I am speaking broadly from the feedback I have had from a lot of contractors.

The feel is that the new build sector is dipping slightly and slowing partly due to a little bit of political uncertainty. There is a Budget later on in the year, so people are worried about what tax rises are coming and developers are selling fewer houses. That side is slipping. On the domestic side of things, for privately owned homes, I am getting feedback from roofing suppliers that footfall has dipped and stagnated as well. Those are my two answers, really. Refurbishment is going well, but new builds and the private sector are showing signs of slowing down.

Q69 Chair: Brian, how does that compare to the messages that you are hearing from across the industry?

Brian Berry: It is similar, except I would say the mood is probably a bit more cautious. We carry out a survey of our members to find out what is happening in terms of workloads and inquiries. Our latest results are from the end of last year, Q4. Workloads at that time had decreased by 11% and inquiries had dropped by 23%. Anecdotally, as I am going around the country this year talking to members, the RMI sector seems to have enough work at the moment, but its inquiries are fewer than last year. There seems to be a slight nervousness about whether there will be enough work at the end of the year or going into 2026.

Q70 Chair: For your members, how many months ahead is their pipeline?



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Brian Berry: It will vary. The FMB has sole traders and very large companies. Some will have six months or 12 months; some have years of work ahead of them. It will vary considerably.

Overall, I am picking up that there is enough work and the RMI sector is doing well. That has been backed up by the latest ONS figures for April this year, in which RMI has grown by 0.3%. That is lower than construction overall at 0.9%. That reflects a nervousness among consumers about having home improvements because of the current economic challenges and difficulties in terms of inflation and living costs, which are still quite high for a lot of people.

Q71 **Chair:** There is growth, but there is a lot of nervousness and jitters about the future.

Brian Berry: It is caution. There is work there, definitely, but there is an apprehension about what will follow and whether there might be tax increases later in the year.

Q72 **Charlie Maynard:** My first question is to Brian. I am just trying to get my head around the Federation of Master Builders. I think you represent small and medium-sized businesses. Does that include Barratt, Taylor Wimpey, Persimmon, Bellway and Vistry?

Brian Berry: No.

Q73 **Charlie Maynard:** Is there another trade body for them? How does it all fit together?

Brian Berry: Just to be very clear, the Federation of Master Builders is a trade body for small and micro building companies. They are not part of that supply chain. Companies such as Barrett are large companies that have their own supply chain and their own specialist contractors.

There is a whole field of small companies. My members are mostly doing domestic home repairs. They will be the people coming into your home to do a home extension or a loft conversion. They are looking at the retrofit market. About 10% of our members build houses. They are typically building five or six houses a year. These are the micro house builders. We are outside that big tier 1 supply chain. These are principal contractors operating in the domestic sector.

Q74 **Charlie Maynard:** Maybe the public has some nostalgia about this. Where have all the small and medium-sized builders gone who were building houses? Has that just gone? Is it just because it is an incredibly unbalanced playing field? If so, why are they being squeezed out?

Brian Berry: You are quite right to identify housing because over the last 40 years the percentage of new homes built by SME house builders has fallen from 40% in the late 1980s to below 10% now, as I understand it. There is a downward decline and far fewer houses. You have a housing market that is dominated by the major house builders. They are building over 80% of the homes in this country today.



We carry out an annual survey of our house building members to find out what is happening, what the barriers are and why they are not building. The survey from November 2024 identified the planning system as the number one barrier at 76%; the lack of viable land at 61%; and the lack of available land at 57%. They are struggling with the planning system and finding suitable land. This is a problem with the local planning process. Local plans do not allocate enough small sites for local house builders. They are struggling to find the land.

Even if they find the land, the planning process is too slow and it is expensive. Obligations have increased over recent years. For very small companies, that is more onerous. They do not have the in-house teams compared to larger house builders, so the burden on them is greater. It has a disproportionate impact on those small house building companies, which probably explains why a lot of them have left the market.

Q75 Charlie Maynard: As an executive member of planning, very briefly, in a previous district council, I have felt the pain. You have national Government of whatever stripe, frankly, saying, "You have to build 1,000 houses this year; otherwise you are for the high jump", along with a five-year housing land supply and everything else.

In terms of managing that much smaller level, would you be advocating a few per cent, 5% or 10%? Should it be bounded in some way? What would those boundaries be? What would really help the local building industry to build houses?

Brian Berry: First, it would help if local plans increased the percentage dedicated to homes on small sites. At the moment, it is 10%. If we could double that, that would certainly help. It would also be really good if local authorities had the capacity to engage with local developers because local developers could identify some of those small sites and work with local authorities on what is needed.

The challenge is that local authorities are strapped for cash. It is more expensive to have a number of contracts with SMEs compared to using a larger developer. The planning teams also lack the specialism to deal with small house builders.

The under-resourcing of planning departments is working against local house builders, which is a shame. It is the local house builders that train the local people and take on the apprentices. They should be the catalyst for regional growth all across the country, but they are not. It is going in the wrong direction. Larger house builders are coming in, bringing their own labour force and moving them around the country. You do not get the benefits of regional economic growth that you would if local authorities, in terms of their procurement, took on more local house builders.

Q76 Chair: Square foot for square foot, are small house builders more expensive than the bigger house builders when they are building homes?



Brian Berry: I do not have the figures, but I suspect there would be a premium for smaller house builders. We know from surveys that customer satisfaction is much higher with smaller house builders because they are based in the locality. Their reputation depends on the quality of their work.

Chair: If you have that evidence, it would be really useful for us to get it.

Paul Brain: I have one thing to touch on there. Larger building companies may have better buying power for materials so they can get better deals than small builders. They can drive costs down for their subcontractors. The quality might not be as good. A small builder would build you a better-quality house, but it might be a little more expensive.

Q77 **Sarah Edwards:** Just building on that, I am the chair of the SME house builders APPG. I have been getting to grips with a lot of the challenges that SME house builders have been raising. Could you elaborate on what you were saying about the issues in navigating the complexity of the regulations and how workable they are for smaller firms? We know there is this imbalance between larger and smaller firms—namely, they do not have the staff—but I wondered whether you could add a bit more colour to some of the challenges that they face.

Brian Berry: For small companies, it is about navigating the planning system in terms of applications. It comes down to time and money. Submitting planning applications takes them longer. They do not have in-house teams to submit planning applications.

The obligations that they have to comply with have increased. We have biodiversity net gain. Section 106 agreements vary from local authority to local authority. The interpretation of planning laws varies from local authority to local authority as well.

There is also an issue about communication. I know local authorities say, "We are not getting the information that we need from the local developers, which slows down the process". That is why there needs to be a more joined-up approach between local developers and local authorities. The creation of a developer forum, where both sides could talk more openly about applications before they are submitted, would certainly help. If there was additional resource, we could have specialised SME planning officers, who could work to improve the applications, which would make it easier to process them as they go through the planning process.

You cannot put your finger on one thing. There are lots of different things, as you know, in terms of helping local developers. The availability of the land is one of the big issues. On these very small sites, we are talking about three or four houses. We need to capture those. The Greater London Authority has an app that shows where all these very small sites are available. If that could be replicated, that would really help.



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Q78 **Sarah Edwards:** I believe there are some talks to do that and expand that for exactly that reason, to make sure that it is much easier to find that land.

I have also spoken to some small house builders about this issue around proportionality and how much you pay for your planning consent. It is much cheaper for a volume house builder than the smaller ones. They were wanting a proportionality clause to be put in, so that it was scalable rather than the very blunt instrument that it is at the moment.

Brian Berry: That is a very fair point. It has a disproportionate impact on the micro house builders. The other issue is about guidance and making sure the guidance can be understood easily by a small or micro building company, which does not have the in-house resources to navigate sometimes often complex requirements.

Q79 **Chair:** Paul, do you have anything to add to that picture?

Paul Brain: No. Well done, Brian. The issue with pockets of land becoming increasingly smaller and the lack of availability goes back to the power of the big house builders and tier 1 contractors. Small builders are getting edged out a little bit more. They are finding it more and more difficult to find those pockets of land. The costs and the complexities of going through building control can be quite difficult. A large contractor will probably employ consultants and specialists to navigate a lot of that.

From a roofing perspective, it does not really affect us a great deal. With a new build, the roofs are signed off by the National House Building Council. That is not really down to us. The NFRC has a competent persons scheme. If a roofing contractor is registered on that, we can self-certify and prove that the roof is done to current building regulations and British building standards. We offer guarantees as a contractor. With the CPS, you can have a 15-year insurance-backed guarantee. Many of the manufacturers of roofing materials will offer a 15-year warranty as well.

We can navigate around it if we need to, but, generally speaking, with the house builders, it is over to them with the regulations.

Q80 **Mr Reynolds:** Paul, how much damage do late payments cause to the construction industry?

Paul Brain: This is my favourite question, to be honest. Late payments are devastating for SMEs. I speak from my own perspective, owning an SME. I actively avoided working for tier 1 contractors and large main contractors right from the off, but I have, for one reason or another, been involved with them on two projects. I am working with one now. Both of the experiences with finance have been horrendous. There are all manner of tactics that tier 1s adopt.

Q81 **Mr Reynolds:** Can you just explain what a "tier 1" is for those who are not in the construction industry?



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Paul Brain: Tier 1s are the large contractors that are at the top of the tree. They might be in direct consultation with a government body or have a public contract. The majority of them are management companies. They subcontract the work out to the SMEs. At ground level, it is the SMEs that do the lion's share of the work. They are managed by a main contractor or a tier 1.

Q82 **Mr Reynolds:** We heard in the first panel about the new fair payments code. Is the fair payments code able to deal with the complexity of supply chains that the construction industry has?

Paul Brain: In principle it is a good idea, but unfortunately not many contractors have signed up for it.

Q83 **Mr Reynolds:** Why do you think that is?

Paul Brain: They probably do not want to be regulated and forced to pay fairly. My experience of working with the tier 1s is not good. A lot of my colleagues within the roofing sector doing new build properties have harrowing stories of being held to ransom with payments. Payment terms are a big issue.

In the sector that I am in, I get paid in 30 days or less, which is great for cash flow, turnover and helping me to grow. A lot of other companies work for companies that might have 60 or 90-day payment terms. From day 1 that you are working for them, you put your first invoice in after 30 days. It could be for £50,000. They are going to pay you in 60 days' time, if they pay you on time. On day 90, you are going to get your first payment. For the second one, you are going to do another 30 days and invoice them another £50,000. The cycle continues on. As you go further down the line, the tier 1 will owe you more and more money as you go along.

You are dancing to their tune, really. They can dictate your working practices to you. You are at their mercy, really. They have tactics. For example, a couple of days before your two-year payment, they will contact you and say, "There is a discrepancy with your invoice. Can you resubmit?" Then the cycle starts again. It happens all the time.

As I said, there are two instances that I am working on now. In one of those, they issued me with a pay less notice out of the blue because they were not happy with my invoices just before they were due to pay. It totalled £180,000. I was faced with a £180,000 black hole in my company for no reason. I challenged it. I won, and they paid me within seven days. They had my money, but they were trying to hold out paying me on time. I could go on until 8 o'clock or 9 o'clock this evening telling you about these practices. They are happening all the time.

Brian Berry: I just want to echo that. Three-quarters of my members have said they have had problems with late payments.

Q84 **Sonia Kumar:** In my constituency, one of the builders came to speak to



me and made exactly the same point. It is late payments. He has been subcontracted to do some work, and he has not been paid. It is because of a late payment. What should be the gold standard for the timeframe? How can we improve practice throughout? Does there need to be more transparency? You say, "This is my business. These are my terms". All larger firms need to be held to account. "You have 30 days. There is no leeway on this".

Paul Brain: It is a valid point. Payment terms are key. Sixty days is a long time for a small company to wait for its money. It is a big financial risk. Coupled with that, more often than not we are going to have a retention on our back of up to 5% from a year of practical completion.

If I were working for a house builder to re-roof 200 houses, I would be held by a retention all the way through that. It could be £1 million worth of roofing. Practical completion starts from then. I need to wait another year for my retention to come in. As we know, a lot of things can happen in a year. If the tier 1 goes bust and ceases to trade, all the money is gone. I personally know people who are owed up to £500,000 in retentions. They are waiting and they are sweating. They want their money. As we know from last year, major companies can go bust.

Going back to your question, yes, fair payment terms are a must. We could enforce strict payment discipline, so that tier 1 main contractors need to sign up for this at the beginning before they can price large contracts and buy large pockets of land with many hundreds of houses on them.

We need to remove unfair contractual practices. We have touched on long payment terms and the tricks that people play to push back invoice payments a little longer. They are holding on to money. More often than not, these are massive amounts. It is hundreds of millions of pounds.

In some cases, these retentions and late payments are funding their next plot of land or their next job. They are using small contractors' money to fund their next jobs. If they spread themselves too thin or something else goes wrong—a lot of these jobs are secured on very low profit margins, hence why a lot of larger contractors go bust—all that money then is just gone. It disappears into the ether. It no longer exists. A lot of SMEs are bearing the brunt of the financial risk.

Q85 **Sonia Kumar:** How can we protect SMEs? That is exactly what happened to my builder. The tier 1 company went bust. Everything that he had bought, all the material, he had just sitting there. He did not know what to do. He had already bought it.

Paul Brain: The large companies need to sign up for shorter payment terms and guaranteed payment terms. From a roofing point of view, I know that it is not a popular subject, but we could remove the retention and replace it with guarantees.



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For argument's sake, if a new build property has a brand-new roof on it and we have self-certified it to prove that it conforms, that guarantee goes instantly to the new house owner, with all the guarantees in place, cutting out the tier 1. There is up to around £300 million at any given point held in retentions. From our perspective, if that was removed, that £300 million could go back into the economy. It could help SMEs build, invest in training or grow.

Yes, there are a few things. If the money from the main contractor perhaps went into a government bond, the small builder could access it if the contractor ceases trading, rather than the money disappearing.

- Q86 **Sarah Edwards:** A lot of the time, cash flow is part of the issue, but so is access to finance, particularly for SME house builders. Just two weeks ago, we had an announcement from the Government about the national housing bank. The intention is to plug the hole with £16 billion of public investment to build 500,000 homes. That included in it a provision to support additional lending alliances and private sector partners. This is new. It is accepting that there have been some issues. What do you think about that? What do you know about it? Do you have any more details on it?

Brian Berry: We do not have the details, but we certainly heard about the headline. It is very positive to have a recognition that finance is a major issue. From our own surveys, 37% of our members say that access to finance is still a barrier. That has come down from the financial crisis of 2008-09.

The announcement that the Government made is a recognition that there is a problem about access to finance, which is very positive. My understanding, though, is that the lending is for units of 10 and above. That is very small, but most of my members are building fewer than 10. In a way, for the micro house builder, there is very little help there. They are still going to be reliant on high street banks, where they are going to pay more money.

I welcome what the Government have done. They have recognised the problem and brought it down to 10 units and above. What happens to those micro house builders that are building fewer than 10? These are the future house builders, or they should be, and they will not benefit from this.

- Q87 **Sarah Edwards:** Just to pick up on that point, this is one of the sectors that could double. If we unlock some of these issues in the process, if we deal with the planning and we get access to finance, we could employ many more people; we could build many more houses than we currently can. It is really critical that the micro-businesses are seen as part of a growth strategy.

Brian Berry: With Homes England, the criterion has reduced from 10 to five units. It would be good if that lending could be brought down from



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10 to five. That would really help them because it would capture a lot more of my members. We want to encourage that flow from a builder dipping into house building to then taking on more plots and starting to grow. Then we will start seeing a bigger delivery of homes. As you know, we are quite a long way off the housing target.

Q88 Sarah Edwards: Just finally on that, part of this issue is that you cannot build another house until you have sold the one that you have built. You are very reliant on the cash-flow process moving through.

Brian Berry: Cash flow is very tied up, yes.

Q89 Sarah Edwards: The planning process slowing everything down was causing these issues whereby you were not able to sell and then you are not able to continue to profit. It is really crucial that these two things come together.

Brian Berry: Yes, absolutely. That explains the trend that I mentioned of 40% going down to 9%. It will continue to fall away unless we tackle that. The Government are moving in the right direction. We just need a bit more of a push.

Q90 Antonia Bance: Moving on to workforce and skills, it is clear that we do not have the workforce we need in this country to deliver on our housing targets. I would appreciate comments from both of you on what we need to do to get, particularly in the SME sector, the workers we need in order to deliver on the housing, refurbishment and retrofitting targets that we are going to have going forward. Brian, shall we start with you?

Brian Berry: You are absolutely right. The skills crisis has been a problem for many years. We know there are shortages in all the trades. The Construction Industry Training Board has said that we need another 250,000 workers to build 1.5 million homes.

While there is no shortage of young people wanting to come into the industry, there is a shortage of small employers taking on apprentices. It was interesting to hear in the other session about the hairdressers. We have the same problem. The incentive to take on an apprentice is quite small for SME companies. It is £2,000 to take on an apprentice at a time when, as I was mentioning earlier, there is a cautiousness about the market. We need to look at how we can encourage more employers to take on apprentices.

There has also been serious underfunding of our colleges of further education over many years, which has put people off thinking about having a career in construction. It is good news that the Government are spending millions more on higher education. That is going to be critical in having parity of esteem between the trades, vocational training and going to university. That will certainly help as well.

The other issue, falling out from Grenfell, is about competence in the building industry. It does not help that anyone can call themselves a



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builder. You do not need any qualifications to be a builder. That is why we get the reputation, in some quarters, of cowboy builders. There should be a licensing of construction companies to ensure that cowboy builders are not allowed to operate in our industry.

Paul Brain: I would echo a lot of Brian's sentiments there. Stepping back a little further, with the modern age, AI is becoming more prevalent in the workplace. The landscape of the work is changing. A lot of uni grads are perhaps not going into the careers that they wanted to do, given the subjects that they were studying.

If we wind back to school leavers or even a year before children leave school, we could bring in an option to learn construction skills, if that is the route they want to go down, or roofing skills, which is my particular subject. If they get on the right path when they leave school, they can go to the right college. They can know where they are heading a little bit before. Rather than leaving school with few or no options, at least they may have an idea of where to go.

University might not be an option for everybody now because the landscape is changing a little bit. We might have new people coming into the industry, but they need to be aware of it before they leave school so they can find the correct path for them.

Q91 **Antonia Bance:** Just continuing on that thought, Brian and Paul, some people have said that the lack of a pipeline in the industry means that people are taken on for one or two jobs and then they need to go and find another employer.

Could you comment on whether it is pipeline or whether it is the employment model? We have seen considerable rise in self-employment in the construction industry. How is that affecting your members? Do your members contract self-employed people or do they employ directly? Is it a bit of both?

Brian Berry: It is a bit of both for FMB, but historically it has been about employing directly. There has been a proud history of small and tight-knit companies looking after their workers. Of course, the model is changing with self-employment. That is having an impact on the structure of our industry. That needs to be recognised.

Certainly, the FMB has been a great advocate of direct employment and building up the skills of those people working in the small industries because that helps with the retention of staff as well. Small builders often talk about the family. When you work together for years, you build up a very close bond. That gets them through the difficult periods.

These are the very small companies. It is very different in the larger companies where labour can come and go. You get people in and out of work, and it is more transient. That is not always best for the reputation of our sector because you lose that certainty, if you want to go into the building industry.



Q92 **Matt Western:** Just picking up on the point about the shortage of 250,000 people, I assume there is a certain age profile to certain specialisms. You made the point about colleges, Mr Berry. Other than Skills England and what the Government are doing to put more funding in, how do we get more young people who want these vocational skills into that? My understanding is that we have too few tutors to provide the courses. Is there a model that could be considered?

Brian Berry: You are quite right to identify an ageing workforce. We are going to lose one-third of the people who work in the construction industry over the next 15 to 20 years. Teaching might be an option for some of those people who are thinking of retiring or partly retiring. We could use those skills in colleges to teach some of the courses. It will not be a panacea because people who are doing on-site jobs may not always make the best teachers, but there will be some. If we could not lose that experience and find a way for them to work with colleges to train the next generation, that would be fantastic because we would be keeping the skills base in our sector.

Q93 **Matt Western:** How could the sector help bring that about?

Brian Berry: As a trade association, we can promote that and make those opportunities known to people in the building industry. Communication is a big issue in the building industry. That is where trade associations can be really helpful. We need to line up with the colleges to see what opportunities could be created and what sort of contracts there would be for people wanting to leave the industry to teach young people.

Chair: That has been incredibly helpful. Thank you. This is the second biggest sector for small businesses, so getting your evidence down has been really important to this Committee. You have done a brilliant job at laying that out for us this afternoon. Thank you so much for your time and for the evidence that you have submitted. That concludes this panel, and that concludes this session.