

## **Written evidence submitted by Federation of Master Builders (FMB)**

### **About the Federation of Master Builders.**

The Federation of Master Builders (FMB) is the largest trade association in the construction industry, representing over 7,000 micro, small and medium-sized (SME) firms across all UK nations. Established in 1941 to protect the interests of small and medium-sized (SME) construction firms, the FMB is independent and non-profit making, lobbying for members' interests at both the national and local level. The FMB is one of the largest TrustMark provider, with one third of members accredited.

### **Introduction**

The FMB welcomed the Green Homes Grant scheme when it was announced, including its minimum competency standards which are essential for ensuring high quality work and consumer protection. The FMB set up a pathway for its members to achieve PAS 2030 accreditation with the Insulation Assurance Authority (IAA), in order to access the scheme.

However, our members felt that there were onerous administrative burdens which acted as a barrier to entry. They further felt that the cancellation of the scheme negatively affected the level of cynicism in the industry about such short-term projects and will harm the UK's desire to be seen as a global leader in tackling climate change. The issues facing the scheme should have been addressed by consulting with industry and smoothing out flaws in the process – this would have enabled greater take up throughout the construction sector, especially in small local businesses.

### **Barriers to engagement with the scheme**

The majority of FMB members employ between two and five people. It is common that these micro firms will not have dedicated administrative support, and therefore putting in the place the quality management systems required for PAS 2030 was challenging.

Training and qualifications also proved to be a significant hurdle and sending employees on upskilling courses proved to be difficult for several reasons. Sending employees on the relevant courses can be prohibitively expensive for builders, without access to funding or grants either via government or industry. Upskilling also represents time spent away from site which is not compensated for.

Members found that contracting models were problematic. Firms that specialise in the secondary measures were hesitant to become involved in a scheme where they did not contract with the main client, as this is the way most FMB members tend to operate.

Given the time and financial requirements for a small business to secure PAS 2030 accreditation, many members are concluding that it did not make business sense to adapt

for a one-year scheme, especially because many in the repair and maintenance sector experience high workloads.

Members also noted a lack of clear guidance on how to operate under the scheme. There were several bodies each responsible for delivery of different elements. Members would have found it easier for them to utilise a single organisation with responsibility for advising on the scheme from end to end. Even once businesses were certified and fully committed to the scheme there were no clear next steps for them to take. It would be an important lesson for any future scheme to avoid a 'patchwork quilt' effect.

### **Engagement with Green Homes Grant scheme**

The FMB set up a partnership with the Insulation Assurance Authority (IAA) for members to achieve PAS2030 accreditation with support and guidance, the qualification needed to become an accredited installer on the scheme.

306 FMB members registered an interest in working with the IAA. 149 spoke to the IAA about what was required and gathering information about the scheme; 14 were in the process of being assessed and audited; and three had successfully achieved PAS and access to the scheme by the time it closed. These numbers bring to stark focus the sheer difficulty for small builders in progressing through the scheme's hurdles, inevitably resulting in a small take up. Members told us that a simple and long-term scheme was needed to boost engagement.

### **Impact of the scheme's cancellation on small firms**

**Loss of invested time and money** – of the three member companies that had achieved PAS by the end of March, two reported that the process had cost them £9,000 and many hours of unpaid time investing in training, putting quality management systems in place, securing PI insurance, and the fees attached to the ongoing lodgement of data.

**Redundancies** – FMB members made redundant the extra members of staff that they had recruited in anticipation of the increased enquiries and volume of work.

**Losing capacity for retrofit in the industry** – to maintain PAS, builders must secure the relevant work that demonstrates their competence in the accredited skills. They must also find clients who are willing to pay a premium for work completed to PAS standards. Without a successor scheme, the industry risks losing the capacity it has built up.

**Damaged reputation** – leaving only three days between the announcement of the intended cancellation of the scheme, and its closure meant it was difficult for builders to follow-up with all the clients that they had promised quotes to. Therefore, some clients were let down and unable to benefit from the scheme. As builders rely on their reputation in the community to win work, this risks damaging their pipeline of work in the longer-term.

**Successive schemes are not accessible to SMEs** – the business model and size of FMB members in the repair, maintenance and improvement (RMI) sector means they are not in the main connected with local authorities nor housing associations to deliver retrofit. Government assumptions that these firms would continue to benefit from the continuation of the parallel schemes to the GHG operating in the social sector, were incorrect.

## **The scale of the retrofit challenge**

We asked FMB members what they saw as the greatest challenges facing the sector in achieving energy efficiency. The majority noted that there was a lack of a clear pipeline of retrofit work that would incentivise builders to upskill their workforce. The three other major factors were a lack of capacity and skills to deliver projects; a lack of finance for consumers; and a general lack of consumer awareness which discourages them to improve their homes.

Without the ability to create a retrofit strategy the UK will not meet its legally binding carbon emissions targets if it does not fully address the impact of our homes on the climate. We have 28 million homes in the UK, many of which are energy inefficient homes in need of retrofitting. According to government data<sup>1</sup> this includes eight million lofts that need insulating, five million uninsulated cavity walls, and 20 million uninsulated floors that need upgrading if we are to reach these targets.

## **The way forward - a National Retrofit Strategy**

We suggest a long-term retrofit strategy is required to correct market failure and would go some way for industry, consumers, and private investors to regain confidence in green initiatives, all of which are vital to the success of retrofit. The FMB has been working within the Construction Leadership Council (CLC) to lead the development of a National Retrofit Strategy<sup>2</sup> that can deliver retrofit at the scale needed to achieve the UK's transition to net zero. This strategy now has the backing of more than 50 organisations in construction and beyond.

### **Economic benefit<sup>2</sup>:**

- A National Retrofit Strategy could generate 100,000 new, green jobs in the next four years, and 500,000 new jobs over 20 years.
- In this Parliament, the required investment from Government of £5.3bn unlocks £11.4bn of private capital and generates additional GDP growth of £12.4bn.
- Productivity improvements for the building industry, through greater use of technology, and the integral role of innovation and research in the delivery model.

### **Health and social benefits<sup>2</sup>:**

- A National Retrofit Strategy could save the NHS £1.4 billion in the first four years by improving the quality of homes and tackling issues of damp and cold.
- Tackle fuel poverty with £436 energy bill saving per household on average by the end of the programme.

### **Environmental benefits<sup>2</sup>:**

- Retrofitting our homes would save 84.9Mt carbon emissions by 2040.

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<sup>1</sup> Energy efficiency: building towards net zero,

<https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/173004.htm>

<sup>2</sup> Construction Leadership Council: Greening Our Existing Homes National Retrofit Strategy,

<https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2021/05/Construction-Leadership-Council-National-Retrofit-Strategy-Version-2.pdf>

- Demand reduction through appropriate retrofit, reduces the early peak of demand for grid decarbonisation over the next decade.

### **The delivery model:**

Our model proposes eight interlocking components: leadership and communication; performance standards; finance and grants; training and accreditation; materials and equipment; creation of customer demand; compliance and quality; and innovation and research. We need each of these eight components in place for the strategy to be a success. We argue for a Retrofit Delivery Agency to oversee and coordinate regional and local delivery, providing long-term stability and leadership.

Key deliverables will be:

1. A 'property passport' for each home, setting out the measures needed to retrofit the home and the associated costs, taking a whole house approach. Allowing consumers to include sequential retrofit measures while doing other general home improvement works.
2. Establishing the right qualifications and training to ensure that all construction professionals have the latest knowledge of retrofit building techniques.
3. Local delivery programmes to mobilise the development of supply chains, bringing together relevant actors to find local solutions.

### **Conclusion**

The scrapping of the Green Homes Grant scheme sent the wrong message to consumers and builders alike and will harm the UK's desire to be seen as a global leader in tackling climate change.

Flaws with the scheme could have been addressed, in consultation with industry, with a commitment to introduce training. Unfortunately, we had another example of a stop-go green initiative that undermined, rather than created, certainty for both the public and installers.

Small, local builders who have spent thousands of pounds to become eligible for work under the scheme and rightly feel let down. Without these workers on the government's side, we will fail to retrofit the UK's 28 million existing homes, missing opportunities for green growth, new jobs, and to level up.

The government should be more ambitious in its thinking and set out a long-term plan to upgrade our existing homes to make them greener and more energy efficient. We need to align the market for repair, maintenance and improvement work with that for retrofit, if we are to meet our climate change targets, as discussed in a recent report from the FMB and the Centre for Research into Energy Demand Solutions (CREDS)<sup>3</sup>. A national retrofit strategy would address the priorities of this government by helping to achieve Net Zero by 2050. It would also help industry and consumers re-gain much needed trust in government led green initiatives.

### **More information and availability**

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<sup>3</sup> Building on our strengths: a market transformation approach to energy retrofit in UK homes, <https://www.fmb.org.uk/resource/building-on-our-strengths.html>

The FMB is available to discuss the details of this submission with committee members or staff, we're also at the disposal of the committee to supply verbal evidence.

For further information please contact [publicaffairs@fmb.org.uk](mailto:publicaffairs@fmb.org.uk)

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