

**A submission by the Federation of Master Builders (FMB) to the
House of Commons Environmental Audit Committee Inquiry
Energy efficiency of existing homes**

10 July 2020

1. About the FMB and reasons for submission

- 1.1. The Federation of Master Builders (FMB) is the largest trade association in the construction industry, representing around 7,500 small to medium-sized (SME) firms across the UK. These firms operate predominantly in the domestic repair and maintenance and house building sectors. Some are also involved in commercial and industrial works, as well as infrastructure and heritage.
- 1.2. The FMB welcomes the Committee's inquiry into the energy efficiency of existing homes, a timely and important investigation. The FMB has consistently advocated for the development of public policy that stimulates demand in the energy efficiency retrofit market. In 2009, the FMB published '[Building a Greener Britain](#)' which set out a strategy for how to make low-carbon home refurbishments mainstream. In 2013, the FMB set-up a route for members to achieve Green Deal Installer status, however uptake was very low due to poor business confidence in the scheme. The FMB has also worked with the Retrofit Academy and its partners to develop a Level 5 diploma in Retrofit Co-ordination and Risk Management in response to the Bonfield Review (Each Home Counts) and to underpin PAS2035. More recently, the FMB called for a national retrofit strategy in its '[Programme for Government 2019 – 2024](#)'.
- 1.3. The FMB would be very pleased to provide oral evidence to the Committee if invited and to provide any further information in writing relating to the energy efficiency of existing homes, the impact of the coronavirus on SME construction firms, or any other matter.

2. A national retrofit strategy must form part of a green recovery from the economic impact of the coronavirus

- 2.1. A national retrofit strategy could be the cornerstone to boosting regional growth and creating jobs. [Research](#) by the Energy Efficiency Infrastructure Group suggests that 'building construction, repair and maintenance and improvement in supply chains needed to deliver energy efficiency works mostly comprise small businesses anchored to local areas, meaning most jobs needed to deliver improvements in a given area would be located there.' This is backed up by recent research from the [New Economics Foundation](#). The Committee on Climate Change has also [outlined](#) that investing in a retrofit programme is labour-intensive, therefore creating hundreds of thousands of new jobs, and is spread geographically across the UK. That, in construction, SMEs train [71% of apprentices](#), means investing in retrofit would also increase the number of construction apprenticeships available.
- 2.2. A national retrofit strategy would demonstrate clear leadership and intent on the part of the Government to meet its Clean Growth Strategy targets. Policy churn has historically been a disincentive for builders to pivot their businesses into this sector. A survey conducted among FMB members this year found that just 10% are involved in energy efficiency installation, of which 45% are based in London and the south of England. The rest are spread thinly across the UK. In a survey of FMB members in 2013, 51.3% said that there was insufficient client demand to warrant

investing time and money into entering this market. A retrofit strategy would send a strong signal to both consumers and the supply chain.

- 2.3. Leveraging local markets and identifying policy solutions that unleash the potential of SME building contractors is key to creating organic growth and fostering trust in the market. The [Centre for Sustainable Energy](#) (CSE) advocates approaching a retrofit programme by setting the target of first upgrading just one million homes to make them truly low carbon. The CSE believes that retrofitting the early adopters' homes will normalise this behaviour and encourage others, including the private sector, to invest. The supply chain then follows an equally organic pattern of upskilling and mobilisation. To boost demand and supply in local markets, the CSE advocates testing small stimulus on a local level, creating networks of local tradespeople and supporting them to acquire appropriate training and qualifications.
- 2.4. The FMB [strongly welcomed](#) the Chancellor's announcement of the Green Homes Grants in his Plan for Jobs speech on 8 July. However, the FMB view is that whilst this as a step in the right direction the Government must bring forward the full £9.2 billion to ensure that the UK achieves the step change on energy efficiency that is required.

3. Inter-departmental action on retrofitting will help to develop a sustainable strategy

- 3.1. An inter-departmental Task Force within Government would help to ensure that it is sustainable and effective. The Energy Minister has [talked about](#) the need for greater collaboration to understand this challenge, and the Committee on Climate Change has also recommended that the Treasury be linked-in with policy development. The FMB would support the creation of a Task Force and would provide information and assist to.
- 3.2. A Task Force would also provide a mechanism to centrally coordinate investment to a plurality of local, tried and tested initiatives such as [The Green Register](#), that coordinates demand and supply in Bristol, and [Parity Projects](#), that delivers whole house solutions in South East London. A platform that communicates information, guidance and support for both customers and suppliers of retrofit would help to bring this plurality of local solutions together and would help drive-up confidence. It could be hosted on a government-backed website.

4. Cutting VAT to 5% would boost to the retrofit market

- 4.1. Cutting VAT to 5% on the labour element of repair and renovation in the domestic building sector would stimulate investment in energy efficiency upgrades of private domestic dwellings. [Independent research by Experian](#) found that in the first year of cutting VAT, a potential saving could be generated of up to 36,358 tonnes of CO₂ by the retrofitting of 14,000 homes. Projected over five years, this could lead to an additional £1.08bn spent on energy efficiency measures. Research by the University of East Anglia highlighted in the report found that 9 in 10 homeowners complete energy efficiency works as part of a wider suite of home improvements. Therefore, stimulating the repair and renovation sector brings about consequential improvements in the energy efficiency of homes. Cutting VAT was also recommended by the Building Better, Building Beautiful report '[Living with Beauty](#)'.

5. Stamp Duty rebates can help to boost demand for energy efficiency retrofit

- 5.1. That Stamp Duty calculations do not incorporate the EPC rating of a property is weakening incentives to upgrade homes. Think tank The Green Alliance and the Aldersgate Group have both [recommended](#) introducing a rebate on Stamp Duty on homes with good EPC ratings, and the FMB supports such a move.
- 5.2. Intrusive retrofit works are best placed to take place at the point of sale, when the property is more likely to be vacant. Modelling by Parity Projects demonstrates that the vast majority of 2030 targets (77%) can be met through the natural trigger points of moving home, major refurbishments and boiler replacements. The announcements by the Chancellor in the summer economic update on Stamp Duty may help make consumers more likely to carry out these improvements.

6. Policies that stimulate demand must be consumer group-specific

- 6.1. [The Green Finance Institute](#) talks about the need to develop granular solutions that avoid a one-size-fits-all approach for customers who want to retrofit their homes. Specific demand-side policy is needed for houses of all tenure, including social housing, the private rented sector and owner-occupier market. The FMB supports the proposal to bring forward green mortgages that will incentivise retrofit works at the point of sale. Given the comprehensive nature of these works, they are most appropriate to be carried out when the property is vacant and changing hands.

7. Investing in skills programmes will improve competency in the building industry

- 7.1. Greater support for local building companies to invest in acquiring the skills that are needed to complete energy efficiency retrofit work is essential. This will ensure that the supply chain is in place to deliver works as demand increases. The Government should encourage the leveraging of the Construction Industry Training Board (CITB) grant or the National Skills Fund to ensure strategic skills can be brought forward, such as Heat Pump Installer or Retrofit Coordinator. The Green Finance Institute also [recommends](#) a subsidised training programme that can be developed in the short-term. This also provides a potential pathway for people who may be looking to transition industry following the impact of the virus.
- 7.2. Due to an aging working in construction, with 57% of FMB members over the age of 50, it is important that training and upskilling takes place over the next few years to ensure that we capture these individuals' experience and knowledge before retirement. This is important because a whole house retrofit approach requires builders to have a holistic knowledge of how the house works, in terms of ventilation, air quality and so on. It also requires attention to detail to reduce the performance gap. These skills are often acquired with experience. As on-site training is the most common form of acquiring skills in construction, we need the experienced workforce on hand to train the next generation.
- 7.3. To secure competency within the supply chain, any investment scheme must require builders to achieve third party accreditation, including competency schemes like TrustMark. Accreditation through one single body simplifies the landscape for consumers, providing greater confidence. It also provides clarity for builders.

8. A mandatory licensing scheme for UK construction companies will underpin competency in the supply chain

- 8.1. [Independent research](#) carried out by Pye Tait in 2018 for the FMB put forward a proposal for a mandatory licensing scheme for UK construction companies.

Licensing schemes operate in the Australian Capital Territory, New Mexico and New Zealand. However, in the UK, currently anyone can set up a company and call themselves a builder. A licence would mandate background business and technical competency checks before a firm could be paid to alter the fabric of a building. 77% of SME firms agree with the idea of licensing and 76% believe it would improve quality and professionalism in the industry. A Construction Licensing Task Force has been convened that is examining how licensing could operate, with a view to achieving industry-wide consensus on the proposal by 2022. Licensing would ensure that all builders achieve a minimum standard of competency and reduces the risk of consumer detriment or redress. It would also professionalise the industry and therefore encourage more new entrants into construction, easing the skills shortages.

9. Developing national retrofit strategies with the devolved nation Governments will speed-up delivery

- 9.1. The 2050 net zero target is for the UK as a whole and therefore the Government must work with the devolved nation Governments to share best practice and learning. For example, the [Energy Savings Trust](#) in Scotland provides landlords in the private rented sector with free information and property assessment as well as Schemes including the Private Rented Sector Landlord Loan. Landlords with up to five properties can access interest-free loans, and those with six or more properties can access loans with an interest rate of 3.5% APR. The impact of this scheme should be closely monitored and learning shared across the UK.

For more information

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