

FMB House Builders' Survey 2020



FEDERATION OF
**MASTER
BUILDERS**

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Executive summary

The Federation of Master Builders' (FMB) annual House Builders' Survey aims to build a clearer picture of the experience of small and medium-sized (SME) house builders in England. It is the only survey of its kind to do so.

In 2020, the planning system, with its overly complex processes and information requirements, has become the most significant barrier to increasing the SME sector's output of new homes. The number of small site opportunities has also decreased significantly.

In the context of a recession due to the coronavirus pandemic, and ongoing Brexit uncertainty, lending conditions have become less favourable and buyer demand has fallen to its lowest levels in six years.

Positively, more SME house builders will grow their workforce than contract it in 2021.

Main constraints on supply

- Our survey results show that the 'planning system' was the most cited barrier to increasing output (48%), overtaking 'lack of available and viable land' (46%) for the first time in five years; in third place was 'lack of finance to the company' (41%)
- Over the next three years, these top three barriers are set to remain in place. 44% of respondents predict that access to finance will be problematic

'The planning system' is the biggest barrier to increased output of new homes

Buyer demand

- When asked to rate buyer demand in the housing market out of 5 (where 5 reflects excellent levels), the average score plummeted to 2.38 from 2.9; the lowest levels since 2015
- Respondents predict that demand will not start growing until 2022

Buyer demand plummeted

Access to finance

- When asked to rate current lending conditions to SMEs for residential property development out of 5 (where 5 reflects excellent conditions), the average score was 1.98, down from 2.15 in 2019
- 33% said that lending conditions had deteriorated compared to one year ago; 53% said they had stayed the same
- 42% of respondents stated that they were involved in sites that were stalled for financial reasons over the past year, rising from 39% in 2019

Recent improvements in access to finance for SMEs have been reversed





Small sites and land availability

- 64% of respondents reported that the number of small sites opportunities is decreasing
- 37% said that the process of obtaining planning on small sites is getting worse

Almost two-thirds say small site opportunities are decreasing

Planning application process

- Respondents rated 'inadequate resourcing of planning departments' as the most significant cause of delays in the planning application process for the fifth consecutive year
- 57% reported that they would be actively seeking opportunities to develop under the recently extended Permitted Development Rights
- 55% of firms said that there are sites that they would otherwise be interested in, but which they believe would be unviable due to likely developer contributions

Almost half of respondents said 'inadequate resourcing of planning departments' was extremely important as a cause of delay

Skills and modern methods of construction (MMC)

- 48% of respondents said they will be keeping a similar number of people working on site in 2021, compared to 2020; 29% said that they would be increasing their workforce
- Fewer SME house builders offered training, work experience or upskilling opportunities in 2020, than in 2019
- 53% said that they were likely to use MMC in the future

More than half of SMEs said that they were likely to build using MMC



Photo: Kiesel Group Ltd

65% of respondents said that this year they will build between one and ten units

56% of respondents build homes only as contractors

66% typically build sites of one unit

Profile of respondents and industry structure

The profile of respondents to the House Builders' Survey is reflective of those parts of the FMB membership and wider construction industry that are active in smaller-scale house building.

In FMB membership, just over half (53%) of 7,500 members are engaged in house building activity, as part of a wider suite of services. 15% of members say that house building is their main activity.

"81% of contractors have built homes for self or custom-builders"

Sample

- The survey received 133 responses from SME house builders
- All respondents were FMB members in England who list house building as one of their main trades, and who had been active in building new homes in the past ten years

House building output

- 65% of respondents said that this year they will build between one and ten units; 3% of respondents will build between 11 and 30 units; 3% will build between 31 and 100; and 29% will not build any new units
- When asked to forecast output in 2021, 71% will likely build between one and ten units; 6% will build between 11 and 30 units; 4% will build between 31 and 100 units; and 19% will not build any new units

Business models

- 56% of respondents build homes only as contractors; 12% build homes only as developers; 32% build as both developers and contractors
- Of those who build as a contractor, 81% have built new homes in the last year to the plans and specification of the homeowner (also known as self and custom build)

Site sizes

- The majority of respondents (66%) typically build sites of one unit; 34% build sites of between two and three units; 20% build sites of between four and five units, 14% build sites of between six and ten units; 7% build sites of between 11 and 25 units, and 5% build sites over 25 units

Introduction and context

This survey, now in its ninth successive year of publication, helps to build a comprehensive understanding of the experience of small and medium-sized (SME) house builders in England.

The Government is committed to increasing the diversity of house builders in England, with one strategic objective of Homes England being to 'create a more resilient and competitive market by supporting smaller builders and new entrants'.¹ The Government also commit to supporting 'innovative developers and housebuilders, including small and medium-sized enterprises (SMEs) and self-builders'.²

The FMB will work across Parliament and through the media to communicate the barriers that SMEs face, as outlined in this report, and to identify solutions to overcome these. Local builders have an important role to play in fixing the housing crisis, by bringing forward high quality, well-designed, and sustainable homes in places where people want to live.

Brexit uncertainty constrained output

The past 12 months have proved a challenging landscape for many small businesses, with ongoing Brexit uncertainty in Q4 2019 ultimately leading to the prorogation of Parliament and a General Election. Indeed, when asked to forecast ahead to 2021, 20% of respondents to this survey said that Brexit was likely to be a key constraint on their output. The construction industry relies more heavily than other industries on workers travelling to the UK from the EU. More than 50% of construction products are also imported from there.³

The coronavirus and lockdown impacted on activity

SME house builders contended with the global coronavirus pandemic, and while construction was allowed to continue its operations during the lockdown, the majority of small builders closed their sites both to protect their workforce, and in response to supply chain difficulties. With most sites now re-opened, we know that 26% of house builders have already achieved pre-coronavirus activity levels; 13% predict that they will do so by the end of 2020; 35% will do so by the end of 2021; 10% will do so by the end of 2022; 6% will do so by 2023 or later; and 10% are unsure.

Recovery and investment in housing

The FMB is supporting the Construction Leadership Council (CLC)'s Industry Recovery Plan. The FMB is leading the development of recovery policies in the repair, maintenance and improvement (RMI) sector, and participating in bringing forward policies in the housing market, particularly with respect to SMEs.

The Government has identified construction, and the housing sector, as an important conduit to boosting employment levels. To support recovery, the Prime Minister used his speech 'Build, Build, Build', given on 30 June, to extend Permitted Development Rights (PDR) for new housing. At the Summer Economic Update, the Chancellor announced £2bn investment in insulation and other energy efficiency measures for the nation's homes.

Notwithstanding these interventions, the UK economy is in a recession, and facing growing concern over increasing levels of unemployment. Key considerations for house builders looking ahead are no longer limited to housing-related policies and the business environment, but also the ongoing response to the coronavirus and managing this risk on site.

Short-term measures that would boost the sector at this crucial time include greater investment in local authority planning departments, improving finance options for SMEs and extending the Stamp Duty Land Tax holiday if proven to be successful by March 2021.

The FMB welcomed recent proposals to substantially review the planning system and will be working with parliamentarians over the year ahead to shape these reforms, in particular to help ensure that quality and sustainability in design and build is not compromised.



¹ <https://www.gov.uk/government/publications/homes-england-strategic-plan-201819-to-202223>

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907647/MHCLG-Planning-Consultation.pdf

³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/776136/19-cs2_-_Construction_Building_Materials_-_Commentary_January_2019.pdf

Main constraints on supply

SME house builders in England have been reporting that 'the planning system', 'lack of available and viable land', and 'lack of finance' have been the biggest constraints on their ability to deliver more homes for nine consecutive years. In 2020, the planning system has become the most pressing issue for SMEs for the first time in five years, with almost half (48%) of respondents citing this issue (Table 1).

The second biggest constraint to house builders is a 'lack of available and viable land', with 46% of respondents citing this compared to 43% in 2019. A 'lack of finance' closely follows, signalling a reversal in the recent improvements in lending highlighted by this survey. Of the top three barriers, access to finance is the only issue expected to get worse over the next three years, a not unexpected outcome of the current recession.

'Restricted mortgage availability' significantly grew as a constraint on output, rising from 17% in 2019

to 28% (Graph 1), overtaking those reporting a 'shortage of skilled workers' (23%) for the first time in five years. When asked to look ahead over the next three years, the number of house builders citing mortgage availability as a barrier rises further to 37%.

The easing of skills shortages is reflected in the FMB's State of Trade Survey which found that recruitment issues had improved in the first quarter of 2020.

The proportion of respondents struggling to recruit bricklayers and carpenters dropped below 50% for the first time in four years.⁴ However, these figures should be considered in the context of a significant drop in activity during the coronavirus lockdown, and 43% of builders forecasting lower workloads in the second quarter of the year. This also explains the relatively low proportion (30%) of respondents to this survey anticipating skills shortages as a constraint over the next three years, a dip from 35% in 2019.

'Material shortages' have climbed back up the list of concerns, jumping from 10% in 2019 to 24%.

Similarly, an FMB survey in June found that 89% of builders across all sectors were facing building material shortages, especially plaster and plasterboard.⁵ As global markets and supply chains fall back into step, questions over the impact that Brexit will have on building materials loom on the horizon. Indeed, when asked

"The planning system has become the most pressing issue for SMEs for the first time in five years."

Table 1: Q. What would you say are the main constraints, if any, on your ability to build more homes i.) currently and ii.) looking ahead over the next three years?

Constraints	Currently	Over the next three years
The planning system	48%	48%
Lack of available and viable land	46%	46%
Lack of finance to the company	41%	44%
Cost of Section 106 agreements	31%	25%
Restricted mortgage availability	28%	37%
Materials shortages	24%	22%
Shortage of skilled workers	23%	30%
Cost of Community Infrastructure Levy	19%	20%
No constraints	11%	4%
Cost of locally imposed standards	11%	8%
Cost of national regulations	8%	10%

to look ahead over the next three years, 20% of SMEs said that Brexit risked being a constraint on their output.

When asked about the coronavirus specifically as a constraint on supply, just 9% of respondents cited social distancing as a limiting factor, and 5% said lower productivity among suppliers was a problem. When asked to look ahead over the next three years, 29% said future local lockdown impositions would restrict output.

When broken down by firm type, the constraints become more clear-cut. 77% of developers, and those who build as developers and contractors, cited the planning system as a barrier. 46% of

contractors say access to suitable land is the biggest barrier they face, and will continue to be so in the years ahead.

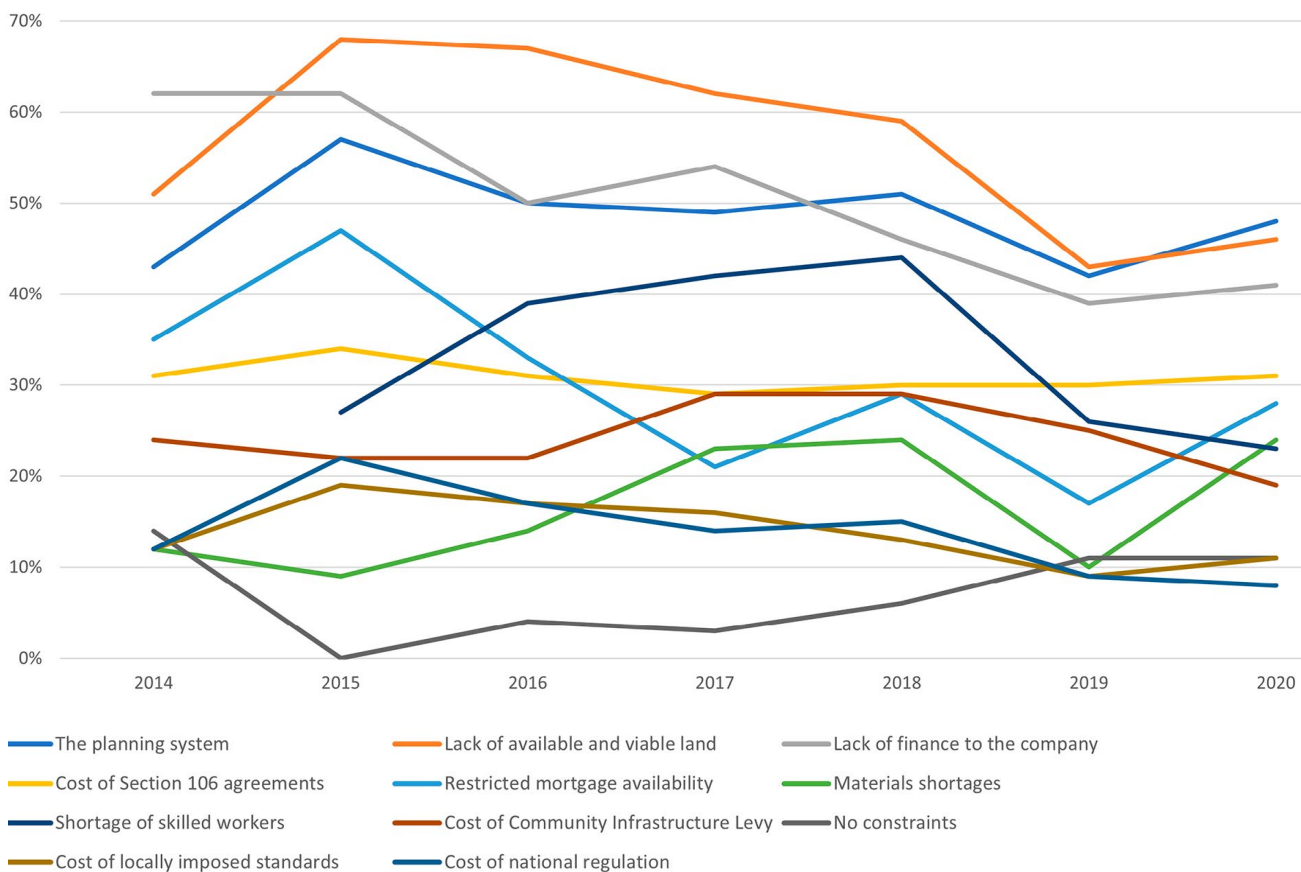
For SMEs that typically build sites of between one and five units, lack of available and viable land was the biggest constraint on output now (47%) and in three years' time (46%).

For house builders that typically bring forward sites of at least 10 units, restricted mortgage availability was the biggest limiting factor (71%), rising to 86% when asked to project over the next three years.



“When asked to look ahead over the next three years, 29% said future local lockdown impositions would restrict output.”

Graph 1: Q. What would you say are the main constraints, if any, on your ability to build more houses? (Responses to this question from 2014-2020 surveys)



⁴ https://www.fmb.org.uk/media/55779/fmb_state_of_trade_q1_2020-final.pdf

⁵ <https://www.fmb.org.uk/about-the-fmb/newsroom/a-national-retrofit-strategy-needed-to-boost-economic-recovery-says-fmb/>

Buyer demand

SME house builders' assessment of buyer demand has plummeted to its lowest level in six years (rated 2.38 out of 5), following several years of steady decline. This compares to an anticipated score of 2.75 for 2020, which respondents gave one year ago. Growth is not predicted until 2021 (Graphs 2 and 3).

Builders operating in the self and custom build sector, rated demand as worse than average (2 out of 5), compared to speculative developers that rated it above the average (2.92 out of 5).

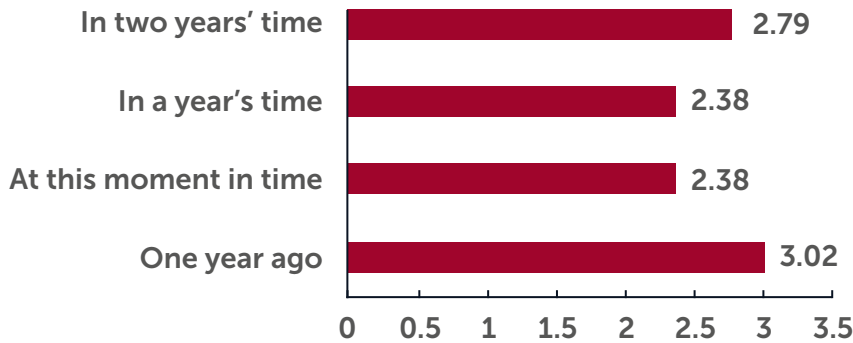
When asked to consider the cause for this drop in demand, SME house builders cited the

economic and operational impact of the coronavirus (68%) and Brexit uncertainty (52%) as key drivers.

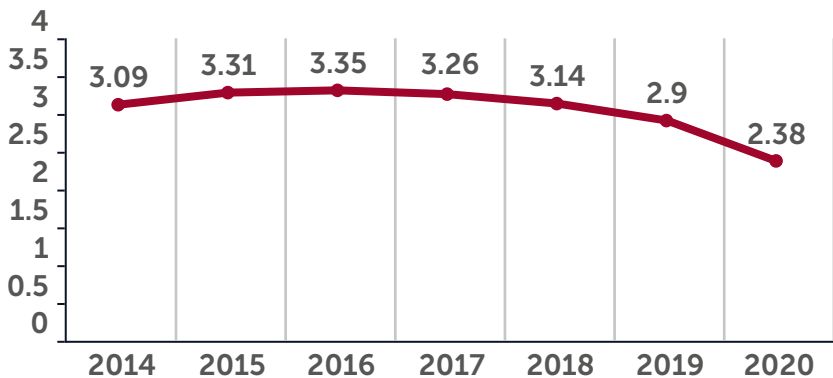
Of those who provided more optimistic estimations of buyer demand, qualitative responses cite the Government's Stamp Duty Land Tax holiday, announced in July's Summer Economic Update. This is also combined with pent-up demand accumulated during the lockdown and a change of priorities, or as one respondent put it: 'people escaping London for the countryside'.

Indeed, house builders in London rate current demand way below average at 1.94 out of 5, only rising to 2.17 next year.

Graph 2: Q. How would you assess/predict buyer demand in the housing market (out of 5, where 0 reflects very low demand and 5 reflects very high demand)?



Graph 3: Q. How would you assess buyer demand in the housing market at this moment in time (out of 5)?






FOR SALE

“SME house builders’ assessment of buyer demand has plummeted to its lowest level in six years.”



Access to finance

The number of respondents reporting access to finance as a major barrier has jumped up again, following two consecutive years of improvements. When asked to rate lending conditions to SMEs for residential development from 0 to 5, the average score is 1.98, down from 2.15 in 2019 (Table 2). This is a very low figure and reflects a worsening lending landscape against the backdrop of Brexit uncertainty, serious flooding during winter 2019, and the post-coronavirus recession.

When asked to compare lending conditions to the previous year, the majority (53%) report that they are the same, but more than double the number of respondents

say that they have deteriorated compared to improved (33% vs 14%) (Graph 4). 58% of house builders report having sites stalled for finance-related reasons, an increase from 39% in 2019 (Graph 5).

The most pressing issue is 'poor loan to asset value ratios' being offered to house builders (rated 6.4 out of 10 in terms of significance), with qualitative data indicating that the typical loan to value ratio being offered to SME house builders has fallen from at best 65% in 2018 to no more than 50% in 2020 (Graph 6). This is highly discouraging, as in the 2018 survey, it was demonstrated that increasing loan to value ratios by 20% could

"58% of house builders report having sites stalled for finance-related reasons"

grow output by an additional 15%. Furthermore, the fact that the most common source of development funding for SMEs to acquire funding for development is through high street banks, demonstrates just how key this relationship is to unlocking additional housing in this country (Graph 7).

"Banks are not interested in funding speculative build."

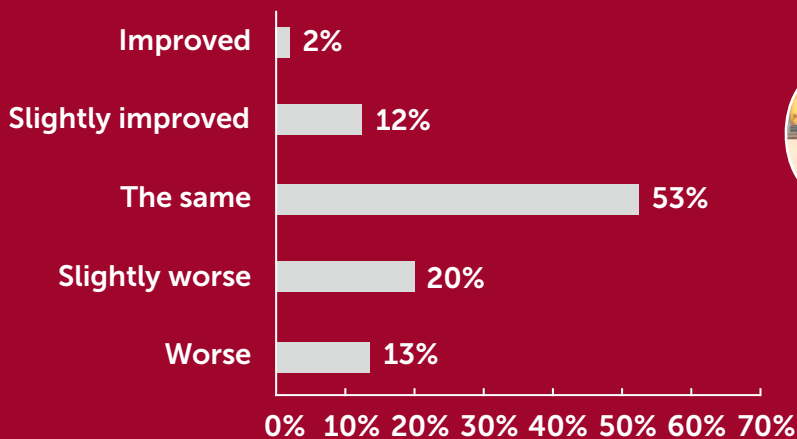
"UK banks are very poor at helping fund development, and when they do their fees and loan to value percentages are unfavourable."

"The typical loan to value ratio being offered to house builders has fallen from at best 65% in 2018 to no more than 50% in 2020."

Table 2: Q. What is your experience of the current lending conditions to SMEs for residential property development (score where 0 reflects very poor conditions and 5 reflects excellent conditions)?

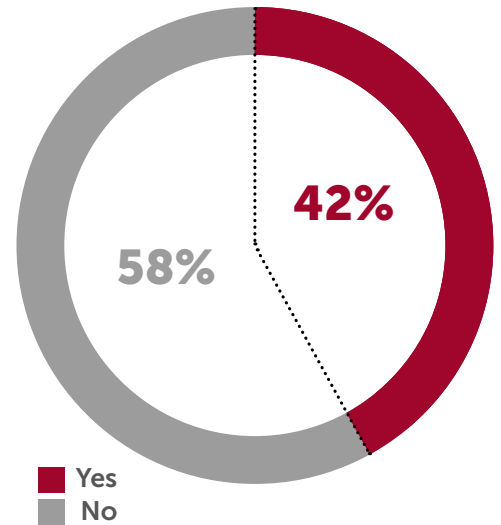
	0	1	2	3	4	5	Average score
2020	12%	23%	31%	25%	6%	3%	1.98
2019	10%	20%	26%	35%	9%	1%	2.15
2018	13%	24%	24%	29%	7%	3%	2.02
2017	25%	23%	20%	28%	4%	0%	1.63
2016	18%	24%	24%	26%	8%	1%	1.85
2015	23%	22%	31%	24%	1%	0%	1.59
2014	36%	22%	30%	9%	1%	1%	1.20

Graph 4: Q. How do lending conditions to SMEs for residential property development compare to one year ago?





Graph 5: Q. Are there any sites you are interested in that are stalled for finance reasons other than fundamental non-viability?

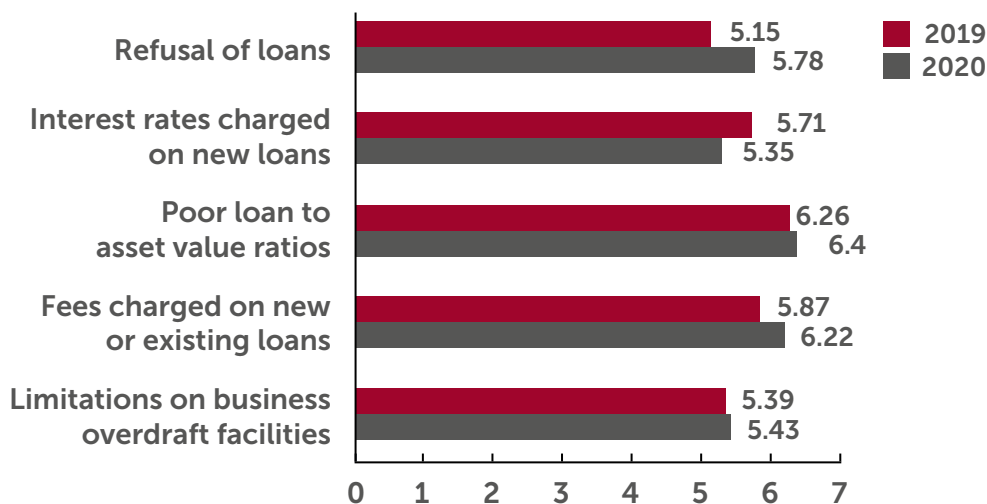


Government initiatives including 'ENABLE Build' that guarantees lending to small house builders via the British Business Bank (BBB) have not cut through sufficiently in the market. **The FMB will work with UK Finance and the British Business Bank to improve awareness of the range of lenders and financial products available to SMEs.**

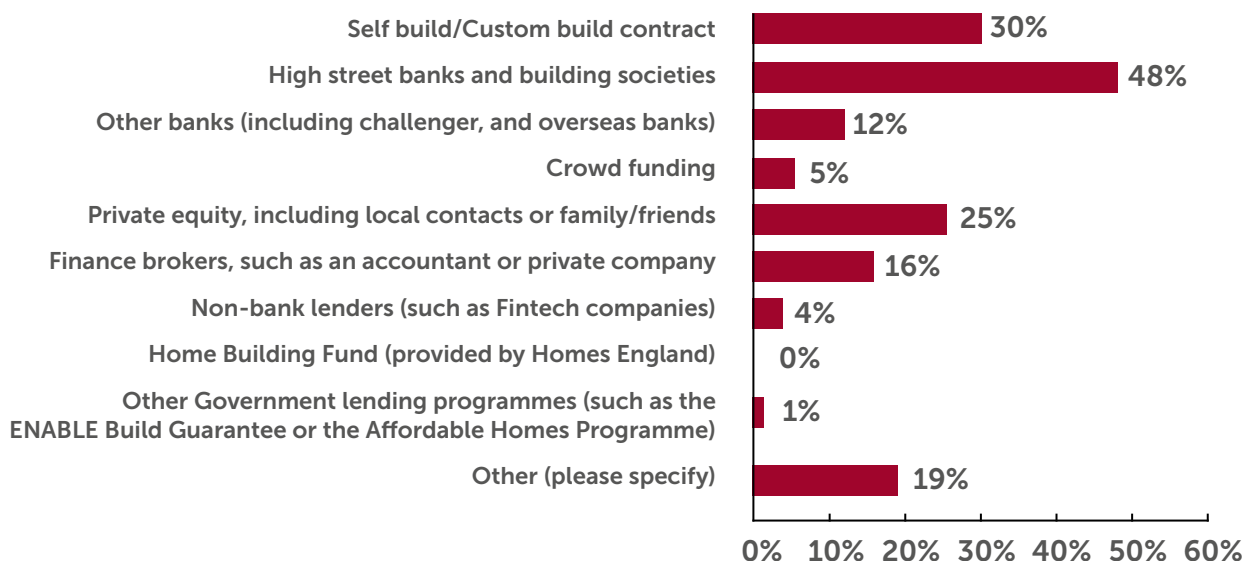
"The most common means for SMEs to acquire funding is through high street banks"



Graph 6: 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)?



Graph 7: Q. Which of the following ways have you ever acquired funding for development (tick all that apply)?



All aspects of lending have deteriorated over the past year, except for 'interest rates charged on new loans', which has marginally improved (5.71 compared to 5.35 in 2019) (Graph 6). The significant increase in concern over 'refusal of loans' (5.78 compared to 5.15 in 2019), coupled with the improvements on interest rates could be a reflection of FMB members' experience engaging with the Government's Coronavirus Business Interruption Loan Scheme (CBILS) and the Bounce Back Loan Scheme (BBLs).

Of members we surveyed, the FMB did not identify any house builder members that had successfully

acquired finance via the CBILS; all applications having been refused. Contrastingly, we know that 39% of members applied for a BBLs, of which almost all were successful. The Government covers interest payable in the first 12 months, and the interest rate is then set at 12.5% per annum.

The fact that no respondents reported ever using the Home Building Fund for acquiring

development finance suggests a lack of awareness of its availability, and **the FMB will work with Homes England to better market the Fund** (Graph 7). However, it also suggests that the Fund does not cater to the business models typical of SMEs. **Homes England should consider extending the scope of the Fund to include those that build out sites of fewer than five units.**

“Tier 1 lenders do not have an appetite for construction lending. This forces us to borrow from expensive tier 2 lenders or private equity lenders at up to 15% interest rates.”



Small sites and land availability

The number of respondents reporting 'lack of available and viable land' as a barrier to their output has increased marginally to 46%, up from 42% in 2019 (Graph 1). 64% of SMEs reported that the number of small sites opportunities is decreasing, up from 54% in 2019. 37% said that the process of obtaining planning for small sites is getting worse (Table 3).

Due to the nature of small sites, as more homes are built on infill sites in towns and villages, opportunities will naturally diminish. However, **more could and should be done to proactively create small site opportunities on the edge of existing settlements, where there is clear community demand for housing and to allow for incremental, organic development.** To support recovery in the housing market following the impact of the coronavirus pandemic, the Greater London Authority (GLA) Housing Delivery Taskforce has adopted the recommendation that boroughs

establish SME liaison groups to improve relationships between SME developers and boroughs, and to assist in the bringing forward of small infill sites.

In terms of acquiring land, SMEs have been favouring short-term speculative development and option agreements over the past year (Table 4). When compared to SMEs' experiences in 2019, the prevalence of long-term speculative development has plummeted from 19% to just 5% in 2020. This points to concerns over long-term buoyancy in the market and increased uncertainty, echoing the drop in buyer demand (Graphs 2 and 3).

Traditional means of finding land prevail among SME house builders. Estate agents are the most common avenue for SMEs to find land (41%), followed by local knowledge and contacts (36%) and via auction (23%).

New avenues are emerging, however. As Homes England's Land Hub begins to bed in since its launch in 2019, more than double the proportion of SMEs have started to make use of it, rising from 2% in 2019 to 5% in 2020. Those that report using this service say they build exclusively as contractors, or as a contractor and developer. **The FMB is committed to working with Homes England to ensure that the Land Hub portal works for SMEs, in advance of the Government's plans to place greater emphasis on public land disposals over the year ahead.**

"64% of SMEs reported that the number of small sites opportunities is decreasing."



Table 3: Q. On the issue of the availability of opportunities for small site development, which of the following statements do you agree with (please tick all those you agree with)?

	2020	2019
The number of small site opportunities is decreasing	64%	54%
The process of obtaining planning for small sites seems to be getting worse	37%	n/a
The number of small site opportunities has not changed	19%	34%
Small sites are being taken more seriously by planners and local authorities	19%	26%
The process of obtaining planning for small sites seems to be improving	10%	14%
The number of small site opportunities is increasing	7%	7%



Table 4: Q. If your business is involved in the buying of land to develop, which of the following types of land purchase do you engage in (please tick any you have engaged in)?

	2020	2019
Option agreements	29%	19%
Long-term speculative purchases	5%	19%
Shot-term speculative purchases	27%	24%
Sites with planning permission already in place	44%	47%



“Limited capacity in planning departments is hampering housing delivery.”

The planning application process

‘The planning system’ has risen to the top of the list of key barriers to SME house builders in 2020 (Table 1).

During the coronavirus lockdown, local authorities made increased use of digital processes to manage planning applications. These included the ability to utilise electronic communications for consultation and to hold virtual committee meetings. Departments were also given powers to assist SMEs by delaying CIL payments. Notwithstanding these support measures, the typical time taken for determinations slowed significantly during lockdown as applications reached a bottleneck in planning departments with limited capacity.

One house builder waited 42 weeks between their scheme being finalised by the local authority, and the decision being granted, despite there being no changes to the plan during that time.

When asked to rate factors causing delays, ‘inadequate resourcing of planning departments’ came top for SMEs for the fifth consecutive year, with a score of 3.8 out of 5 (Table 5). This was closely followed by ‘inadequate communication by planning departments’ with a score of 3.79. **In the FMB’s ‘Programme for Government 2019 – 2024’, greater resourcing for local authority planning departments is a policy priority**, as spending per person on planning has dropped by 60%.^{6,7} Limited capacity in planning departments is hampering housing delivery.

‘Overall complexity and the cost of consultants required to deal with this’ and ‘excessive information requirements’ have been interchangeable as the most significant cause of additional cost in the planning system for the past three years. The former tops the table in 2020, with a significance rating of 3.77 out of 5 (Table 6).

The Government’s White Paper ‘Planning for the Future’ has set out ambitious proposals for reform to the planning system, including zonal planning and extension of Permission in Principle application routes. It also explicitly mentions growing opportunities for SMEs and the self and custom-build sector. **The FMB supports the need for a greater streamlining of the planning system, so long as quality and design are not compromised, and more certainty is created for small house builders navigating the process.**

Steps have already been taken to increase presumption in favour of development via extending the scope of Permitted Development Rights (PDR). Respondents to this survey indicate this is a positive step, with 57% saying that they will be actively seeking out opportunities to develop under PDR; 30% were undecided.

⁶ <https://www.fmb.org.uk/media/50547/fmb-programme-for-government-2019-2024.pdf>

⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907647/MHCLG-Planning-Consultation.pdf

Table 5: Q. How important would you rate the following as causes of delay in the planning process (where 0 is completely unimportant and 5 is extremely important)?

Causes of delay	2020	2019	2018	2017
Inadequate resourcing of planning departments	3.8	4.03	3.89	3.69
Inadequate communication by planning officers	3.79	3.99	3.58	3.55
Delays caused by statutory consultees	3.38	3.71	3.24	3.38
The signing off of planning conditions	3.29	3.63	3.47	3.57
Negotiating Section 106 agreements	3.24	3.44	3.47	3.27
Signing off of Section 106 agreements	3.09	3.58	3.37	3.34



When asked what one thing SME house builders would change about the planning system, responses included:

“Allow experienced developers to deliver homes on sites deemed desirable and viable for development.”

“Implement change faster.”

“Reduce timescales with more resources.”

“Move the requirement for third party reports to conditional approval. These reports are important, but should not hold up the approval process.”

“Have a regional board with construction and environmental specialists deciding on need and appropriateness.”

“Have some sort of ‘Ofsted’ rating for local authorities. If needed, parachute in senior planners from highly rated councils to try and improve standards.”

Table 6: Q. How important would you rate the following as causes of additional cost in the planning process (where 0 is completely unimportant and 5 is extremely important)?

Causes of additional cost	2020	2019	2018	2017
Overall complexity and the cost of consultants required to deal with this	3.77	4.02	4.01	3.82
Excessive information requirements	3.74	4.19	4.20	3.67
Costs imposed by delays in the system	3.73	3.95	4.17	3.57
Fees for pre-application discussions	3.23	3.59	3.64	3.39

Developer contributions and viability

55% of respondents reported that there are sites that they are interested in, but which are unviable due to likely Section 106, CIL or other obligations, an increase from 51% in 2019 (Graph 8).

Looking at the main constraints on supply, 31% of respondents cited the cost of Section 106 agreements (Table 1). This has risen to become the fourth biggest constraint that SMEs face.

SMEs face disproportionate barriers to the process of negotiating and signing off Section 106 agreements and other obligations. Larger

developers have recourse to in-house professionals to manage the process, whereas smaller developers lack similar capacity to do so.

Furthermore, SMEs are more likely to buy small sites from small-scale landowners who will typically have a fixed idea of the value of their land. However, house builders are no longer able to cite land value as a constraint on building affordable housing. **A more transparent and standardised approach to agreeing developer contributions would help SMEs to better negotiate with landowners.**



When asked to explain their concerns, responses included:

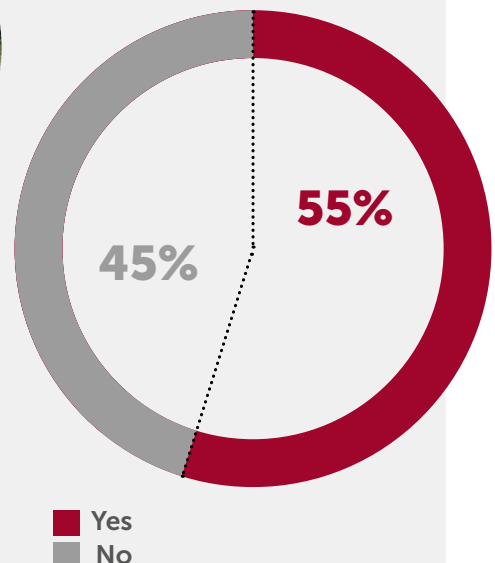
“CIL seems arbitrary and unpredictable between different authorities.”

“Have stopped all new builds due to CIL and Section 106 costs.”

“Public sector have very little knowledge with regards to commercial viability.”



Graph 8: Q. Are there any sites which you would otherwise be interested in, but which you believe would be unviable due to likely Section 106, CIL or other obligations?



Skills and modern methods of construction

The recession brought about by the coronavirus pandemic has provoked concern over the impact on jobs and increasing levels of unemployment. The Coronavirus Job Retention Scheme (JRS), a measure which provided support to 63% of FMB employers during lockdown, is due to come to an end in October 2020. The Government is bringing forward investment in strategic industries, including construction, to stimulate job creation.

Pleasingly, SME house builders are set to maintain existing levels of employment in their firms, with 48% responding that they will keep headcount the same when compared with baseline of August 2019. More employers are likely to grow their workforce

(29%) than decrease it (11%) over the year ahead. 12% were not able to forecast ahead (Graph 9). Of those that will be expanding their workforce, these businesses have above-average turnover, when compared to the profile of respondents, and they operate across multiple sectors.

As is often the case in times of recession, investment in apprenticeships and upskilling has been significantly impacted. Fewer SME house builders offered training, work experience or upskilling opportunities in 2020 compared to 2019 (Table 7). **The FMB will be implementing the recommendations in its 2020 report 'Trading Up' to support increased levels of training in the SME sector.**⁸

"53% of respondents said that they were likely to use modern methods of construction (MMC) in the future."

In terms of diversifying skill sets and moving into new markets, 53% of respondents said that they were likely to use modern methods of construction (MMC) in the future, and 34% weren't sure.

Graph 9: Q. Do you plan to alter the number of people working on your sites (whether employed or subcontracting) over the year ahead, compared to a base line of this time last year?

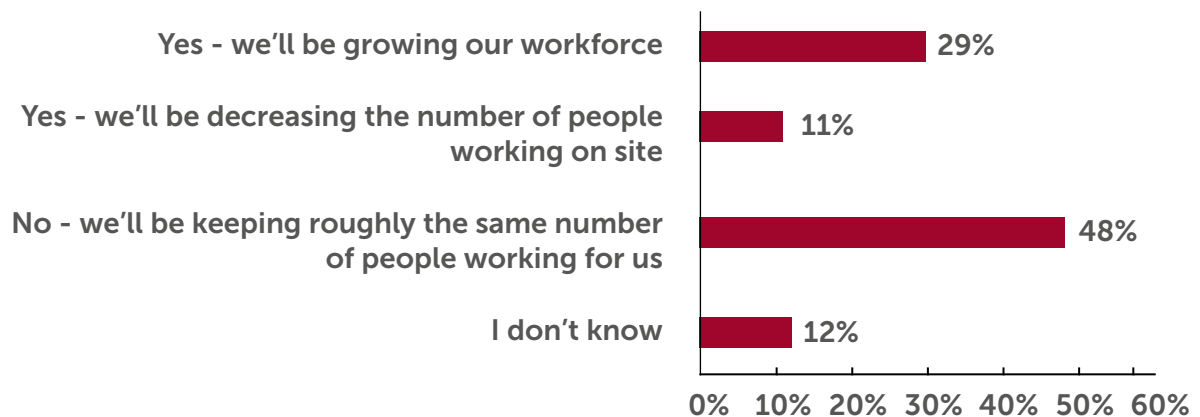


Table 7: Q. In the past year, has your company done any of the following (tick all that apply)?

	2020	2019
Employed one or more apprentice	30%	34%
Provided work experience	23%	33%
Provided onsite training for new workers	24%	30%
Upskilled current workers	38%	44%
None of the above	31%	27%

⁸ https://www.fmb.org.uk/media/55298/trading-up-final_linked.pdf



Climate change

The Government is bringing forward new regulations to improve biodiversity and tackle climate change that will impact on SME house builders. This includes a policy on biodiversity net gain, and tighter building regulations that will require new homes to deliver low carbon heating and greater levels of energy efficiency by 2025.

"SMEs are pioneers of building low-carbon, high-performance homes, and of bringing forward low carbon construction processes."

“

We asked respondents how they anticipated new building regulations would impact on their business Responses included:

"Increase cost."

"Will force us to diversify into building commercial sites."

"Will make it more complex."

"We need a price subsidy for zero carbon materials."

"We are already implementing these in our developments."

"The changes should be positive ones."

"They will present a greater need for more qualified construction managers."

"Very difficult to deliver increased biodiversity on small in-fill or brownfield sites."

SMEs are pioneers of building low-carbon, high-performance homes, and of bringing forward low carbon construction processes.



“

We also asked respondents whether they were incorporating environmental considerations into the build process itself, and whether they were under pressure from third parties to do so. Responses included:

“We have decided as a company to only use air source heat pumps, well in advance of 2025.”

“I am building green and eco friendly houses as that is what my clients generally want.”

“I have done all the courses and have the knowledge and skills to build green, but very few clients are willing to pay the extra costs”

“We are not under pressure to change working practices on site. We would welcome incentives to do so.”

“Not much, due to cost implications.”

“Environmental considerations are always looked at it viable, although under considerable pressure from local authorities to deliver over and above standards”

“We are always incorporating as many eco and energy-saving technologies as possible.”

“We are looking to try and increase our environmental credentials for our own good as well as others”

Photo: Three Pines Building Co



About the Federation of Master Builders

The Federation of Master Builders (FMB) is the largest trade association in the UK construction industry representing around 7,500 firms in England, Scotland, Wales and Northern Ireland.

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 a source of knowledge, professional advice and support for its members, providing a range of modern and relevant business building services to help them succeed. The FMB is committed to raising quality in the construction industry and offers a free 'Find a Builder' service to consumers.

For further information about the FMB, visit www.fmb.org.uk or follow us on Twitter [@fmbuilders](https://twitter.com/fmbuilders).
For further information about the FMB House Builders' Survey 2020, email publicaffairs@fmb.org.uk.

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