

## About BESA

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- The Building Engineering Services Association (BESA) is the UK's leading trade organisation for building engineering services contractors – representing the interests of firms active in the design, installation and maintenance of heating, cooling and ventilation systems in buildings, from domestic to commercial and industrial. These will be renewable systems, such as heat pumps, fossil fuel-powered systems like boilers, or a hybrid.
- We have more than 1,000 members with a combined estimated turnover of £3.6 billion; BESA's members operate through the whole process from design of a building through construction, occupation, refurbishment and, ultimately, decommissioning.
- BESA plays a critical role in ensuring the industry meets competence requirements through the industry-recognised registration scheme, SKILLcard, and develops qualification standards for the industry ranging from career entry routes to upskilling on emerging technologies.
- A full list of BESA's recommendations is available at the bottom of this document.

## Building Safety and a retentions policy that supports growth while remedying defects

- Building safety is not just about adhering to the rules. It is about ensuring that Government and industry work together to create a positive culture that tackles poor behaviour and conduct within regulatory regime that all participants have confidence in. Following the publication of the final Grenfell Report, and regardless of whether the Government accepts the recommendation to create a single, overarching construction regulator, we must maintain and sustain momentum of the building safety regime and build on the positive reforms to date. It is now time to move beyond the focus on high-risk buildings to all buildings to avoid a two-track system and heighten emphasis on organisational and individual competence. This means ensuring the regulator is appropriately funded for all its activities, but particularly enforcement of the rules.
- Also related to building industry culture is the issue of cash retentions. They refer to a common industry practice where a main client or large contractor will withhold payment of a sum of money to a sub-contractor until after the construction project has been completed. In theory, the funds held back (typically 4% of the project's value) are meant to ensure that works are completed to a satisfactory standard, while also providing insurance against defects and any other issues. Between 2.5 – 5% of revenues on a project is around the margin that many

construction businesses operate on. However, in reality, this practice is widely abused, with large contractors, who often use retentions money to maintain positive cashflow within their operations, frequently providing late payments to sub-contractors or failing to pay them at all.

- A strong construction sector is essential to the Government realising its economic growth ambitions. Building control and enforcement of a strong regulatory regime is critical for a holistic approach to building safety and a strong construction sector. This will be even more critical if the Government is minded to accept the recommendation to establish an overarching construction regulator. In his Ministerial Statement to the House of Commons following the publication of Sir Martin Moore-Bick's report, Prime Minister Keir Starmer committed to delivering the changes needed for a generational shift in building safety and quality of housing. A failure to properly fund the regulator will mean the Government and industry are not able to realise the ambitions of Dame Judith Hackitt's landmark 'Building a Safer Future' report or fundamentally change the culture and behaviours laid bare in Sir Martin's report.
- Every party that is involved in the design, installation, operation or maintenance of a building must take responsibility for their input to ensure accountability and high standards at all times. A well-funded regulator is key to this, both in educating the industry on their obligations, but also in holding them to account where standards are not met. It will also go a long way to ensuring that users of buildings and the general public can have confidence that the buildings they live and work in are safe and healthy.
- One of the greatest challenges that BESA members, and indeed subcontractors in the construction industry, face to their operations is late payment. Across the construction sector there are more than 1,000,000 registered firms. The average small business contractor is owed £35,000 in retentions at any one time (with over half owed more than £100,000) and the Government estimates that £5bn is held in retentions. Payments are often lost through upstream insolvency, such as the Carillion collapse. Chasing payment is a value destroying exercise, taking much needed time that small and medium-sized business cannot then spend on innovating, training and improving their business.
- Firms in the construction industry are essential to local employment and regional economic growth, with more than 2.5 million employed in the sector. While the construction sector is predicted to experience a modest decline in 2024, a return to growth is expected in 2025 according to PWC. To achieve this, sub-contractors must have confidence in their operating environment. By establishing a ringfenced fund for money held as an insurance against defects, the Government will ensure consumers have confidence that any defects will be remedied, without small business sub-contractors being at the mercy of larger contractors who are withholding their money to maintain their own cashflow.

**Recommendation 1:** BESA calls on the Government use the upcoming Budget to provide additional funding to the Building Safety Regulator (or Construction Regulator if the Government accepts Sir Martin's recommendation), including a proportion that is guaranteed for enforcement of the rules.

**Recommendation 2:** BESA calls on the Government to use this Budget to make clear its intention to phase out retentions by the end of 2025, with the establishment of a ringfenced fund for money held as an insurance against defects.

**Recommendation 3:** BESA calls on the Government to make clear in the Budget and Comprehensive Spending Review that public sector clients will act in accordance with Public Contract Regulations' 30-day payment terms, and that this will flow down to the supply chain.

## Future proofing the industry

- To realise the mission to make Britain a clean energy superpower, it is essential we futureproof the industry. In the last 14 years, the number of people aged 19 or over in education and training, including apprenticeships, has fallen by 46%. But perhaps even more startling is the realisation that of those people taking an adult FE qualification, not including an apprenticeship, only 8.5% of those studying a qualification to enter our industry actually end up getting a job in our industry. There is no reason to suggest that this figure is abnormally low for building services engineers. This means a lot of wasted public money and time.
- A focus on pathways (where can the learner go after he or she has completed that qualification or piece of supported learning), not simply putting on courses on is required. Equally, with an ageing workforce, it is important to put strategies in place to better utilise older workers so they can remain productive in the labour market, but on their terms.
- A greater focus on job preparedness and broader pastoral support is essential and is of disproportionate importance to those SMEs who provide training opportunities but do not always have time to invest. Pre-apprenticeships have been a success and support readiness for an apprenticeship. Funded courses, such as Skills Bootcamps, need to lead to somewhere, but as currently purposed and deliver value for money for taxpayers. There must a focus on a delivering a sustainable outcome across the whole of the training landscape.
- We need to significantly increase the numbers of people who start training and get a job in the sector of study in underperforming and strategically important economic sub-sectors to make Britain a clean energy superpower. Job preparedness and pastoral support will likely disproportionately assist those students from poorer backgrounds, and particularly those whose lives are more complex, helping to break down the barriers to opportunity and kickstart economic growth and productivity.
- Lecturers are not well-paid meaning most often do it in the last 10 years of their working career. This can mean that teaching does not always keep up with evolving industries like ours. Colleges often lack the latest technology and equipment, which can exacerbate the situation. While larger firms can take training in-house, SMEs cannot do this. It is important that FE colleges are given the flexibility they need to recruit and retain quality instructors, otherwise we will fail to have a pipeline of qualified contractors able to install the technologies essential to realising our net zero ambitions.
- By ensuring we have a fit-for-purpose skills system, we can drive productivity in the construction sector, in turn having a positive impact on economic growth.

Recommendation 4: BESA calls on the Government to ensure funding for Skills England is focused on career pathways and the opportunities for a learner after s/he has completed that qualification or piece of supported learning to embed continuous improvement in all areas.

Recommendation 5: BESA calls on the Government to make clear in this Budget that it will make available match-funded personal skills budgets for people aged over 50 to use to spend on training.

### Becoming a clean energy superpower and improving ventilation

- Decarbonising home heating remains one of the biggest challenges the UK faces on its journey to Net Zero. The UK has some of the oldest and draughtiest housing stock in Europe and heating buildings accounted for around 20% of the country's emissions in 2022. While the UK has made significant strides on this journey, having become the first major country to halve its emissions, there is still much more work to be done if we are to achieve our climate goals over the coming decades.
- Household incomes are stretched, meaning energy efficiency investments can be tough to afford. Existing measures, such as the boiler scrappage scheme, have already helped thousands of households cover some of the costs of installing heat pumps, but clearly more is required. As we've seen with solar PV, as increased economies of scale reduce upfront costs, the subsidies required from Government could decline. Alongside measures to incentivise consumers to install energy efficient heating technologies in their homes, we should also support mechanical ventilation heat recovery systems. They can be retrofitted into most existing homes and address poor ventilation, thereby
- To complement this, it is important that the nascent, but growing, heat pump manufacturing sector is supported. The former Government engaged industry in 2023 to help develop the Clean Heat Market Mechanism and announced it would come into force in April 2024 before delaying this a month before its start date.
- More than 80% of a typical adult day is spent indoors. This means the quality of the air we breathe in our homes, workplaces and public buildings is critically important. Poor ventilation and indoor air quality (IAQ) is a looming health issue and a failure to tackle it has a far greater impact on us all than outdoor air quality.
- Southampton University Professor Stephen Holgate, a world authority on asthma, revealed that IAQ can be 13 times worse than outside air. The UK Health Security Agency estimates the annual death toll in the UK from air pollution at between 24,000 and 36,000 with associated healthcare costs between £8bn and £20bn. A report from the Royal College of Paediatrics and Child Health shows the causal links between IAQ and asthma and other allergic conditions such as conjunctivitis, dermatitis, and eczema. Thankfully, IAQ can be addressed and controlled through improved building systems and promoting behavioural change.
- The UK's economic growth is linked to the ambition to become a clean energy superpower. To reach manufacturing and installation levels required to realise our net zero ambitions, industry

needs clear signals and certainty from Government about the policy direction. By removing and reducing barriers and roadblocks to decarbonising home heating, we will be able to further reduce our greenhouse gas emissions, reduce domestic energy bills and create more jobs in the manufacturing and installation sector.

- Poor air quality and ventilation has already had tragic consequences and were a leading cause in the deaths of Ella Adoo-Kissi-Debra in Lewisham and Awaab Ishak in Rotherham. Poor indoor air quality and ventilation does not just place increased burdens on the NHS. It also means more lost time at work, significantly impacting productivity and economic growth.

**Recommendation 6:** BESA calls on the Government to provide continued financial assistance to households to incentivise and enable them to replace their fossil fuel boilers with heat pumps.

**Recommendation 7:** BESA calls on the Government extend the VAT relief for energy saving materials to Mechanical Ventilation Heat Recovery (MVHR) systems.

**Recommendation 8:** BESA calls on the Government to use the Budget to make clear its intention to implement the Clean Heat Market Mechanism, as delayed by the previous Government, and confirm an April 2025 start date

**Recommendation 9:** BESA calls on the Government to establish a pilot programme to fund indoor air quality audits for state schools and NHS hospitals and offer grants to implement recommend mitigations to bring the buildings up to acceptable standards.

## BESA's recommendations

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### Future proofing the industry

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### **Becoming a clean energy superpower and improving ventilation**

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