HOUSE OF COMMONS

Levelling Up, Housing and Communities Committee

Oral evidence: Building Safety Remediation and Funding: Follow-up, HC 1121

Monday 20 March 2023

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Watch the meeting

Members present: Bob Blackman (in the Chair); Ben Everitt; Kate Hollern; Andrew Lewer; Mohammad Yasin.

In the absence of the Chair, Bob Blackman was called to the Chair.

Questions 1 - 76

Witnesses

I: Lee Rowley MP, Parliamentary Under-Secretary of State (Local Government and Building Safety); and Richard Goodman, Director General, Building Safety, Grenfell and Net Zero, Department for Levelling Up, Housing and Communities.

Examination of witnesses

Witnesses: Lee Rowley and Richard Goodman.

Chair: Welcome to this meeting of the Levelling Up, Housing and Communities Select Committee. The usual Chair, Clive Betts, is unfortunately not able to be here today, so I am substituting for him today. I will ask Members to put on record their particular interests in this inquiry. I am a vice-president of the Local Government Association, and I employ councillors in my office.

Mohammad Yasin: I am a member of the Bedford town deal board.

Kate Hollern: I employ a councillor in my office.

Andrew Lewer: I am a vice-president of the Local Government Association.

Chair: Could the panel kindly introduce themselves for the record?

Lee Rowley: I am Lee Rowley. I am a Minister in the Department for Levelling Up, Housing and Communities, with specific responsibility for building safety and local government.

Richard Goodman: I am the director general for safer and greener buildings in the Department.

Q1 **Chair:** Welcome. As you will appreciate the focus of today is on building safety, and we have a range of questions that we are going to go through. One or two more members of the Committee will be joining us later—they have competing commitments at the moment.

I will start with the cascade system of liability that has been introduced with the Building Safety Act 2022. Are you confident that the cascade is working well in practice?

Lee Rowley: I will ask Richard to comment on the cascade in a moment, because I think we probably would not describe it in that way, but to answer your question directly, we think that it is improving. We think that it is making progress and that there has been quite substantial progress over the last year or so, albeit that we recognise that there is a lot more to do and that a lot of work is needed.

Richard Goodman: These are early days in the regime. We are still learning how this moves through.

Obviously, the leaseholder protections cement in law the responsibility of developers or their associated companies, where they continue to be responsible for the freehold. Where they are not responsible for the freehold, landlord groups that pass the contribution condition are responsible for those buildings. The remediation contribution order system in the Act allows landlords to pursue developers to the extent that they have a liability that should be met. Not a huge number of orders have made their way through the tribunal yet, so I am afraid I cannot give you data as to how that is emerging.

However, the point that is perhaps important to draw out is that we think the number of leaseholders, who are of course at the centre of the Building Safety Act and who we would expect to have any liability under those protections, would be very small, because of the number of layers that have been put in before they would need to contribute and, of course, the fact that any contributions they do make are retrospective. But we would be interested to learn more about how it is operating in practice as the system starts to bed in.

Q2 **Chair:** We have a range of questions coming up about some of those areas, so I will not prejudice those questions. Is there anything, immediately, that you would want to change in the cascade at the moment?

Lee Rowley: All elements of the process still need to run faster, so there is a substantial amount of work under way to try to make that happen, whether that is through the developer contracts that the Secretary of State outlined this time last week, through pushing freeholders to do more, or through operationalising and making the processes through the existing funds go quicker. So the first point is that a substantial amount of work is needed to try to speed things up throughout.

There is a recognition that this is not the perfect answer. We have made changes as recently as last month to technical detail around some of the processes that would allow developers and freeholders to be captured within the regime, and we have a number of consultations out. There was a consultation on franchise leaseholders, which we will respond to in due course.

So I think there is a recognition that there are still elements that we need to work through but—going back to the first point—there is progress here, and things are moving, but we want to move them quicker.

Q3 **Chair:** Leaseholders seem to have been classified as qualifying or non-qualifying. Are you content with the approach that has been taken, which has meant that leaseholders are protected, because there are a lot of concerns that, despite the warm words, a lot of leaseholders are still suffering?

Lee Rowley: It is a difficult one. The Secretary of State has said that previously, and I am very happy to repeat it, but a line has to be drawn. I think most people would accept that there is a wide population of people who have purchased properties, from individual properties to live in—whose owners, very clearly, we need to indemnify to the greatest extent possible from these issues, which are not their responsibility—all the way to purely commercial, very large scale.

Chair: Where people have bought a number of leases and have then rented them out.

Lee Rowley: Of course whenever you draw lines, there are challenges on either side in proximity to that line. I spend quite a lot of time responding to a substantial amount of correspondence that comes to the Department from people explaining their individual circumstances and how challenging it is when they have fallen on what they perceive to be the wrong side of the line.

We will always look at how things are working in practice. We will always review. That is one of the key messages I want to leave you with today. We see this as a lot of progress but still a work in progress. However, Parliament made a decision on this in the 2022 Act and has drawn the line at three, and we are working on that basis. We think that the combination of the decision of Parliament through the Building Safety Act 2022, plus the need for developers and freeholders to step up where they can do that, where we want them to do that and where they need to do that, which means they will remediate irrespective of whether leaseholders are qualifying or non-qualifying, should mean that the vast majority of people are not impacted. Is that fair?

Richard Goodman: That is very fair. One thing to add is that, of course, there is a distinction here between cladding defects and non-cladding defects. There is money available to fix cladding defects. The protections there are extremely strong. We are talking about edge cases, which we have encountered—sometimes, of course, they can be serious—of non-cladding defects. As the Minister says, we are continuing to gather evidence within the Department about how well that is functioning in practice.

Q4 **Chair:** And, of course, there is the requirement to go back up to 30 years in terms of remediation.

Lee Rowley: Absolutely.

Q5 **Chair:** I think the House of Lords Committee required changes to be made to legislation—certainly to regulations—in this area. Can you give us an update on that position?

Richard Goodman: A good example is the case that the Minister just referenced—the most recent amendments to the regulations, which I think made their way through on 8 February. A situation was brought to our attention where there was ambiguity, it was felt in some quarters, in the regulations as to how primary and secondary lessees and group landlords interacted with each other—forgive me, it is that technical. We wanted to make sure the regulations were caught up. The principle, obviously, is about making sure that landlord groups are covered and you cannot protect yourself by atomising your company into 100,000 different pieces. So this was part of the security work on that.

That is probably a good example of what the Minister was describing, where officials in the Department worked through a very narrow technical field to allow us to advise Ministers about changes they might want to make to keep the purpose of the Act intact.

Q6 **Chair:** As you probably know, we held a roundtable relatively recently, and there will be some questions on that later on. But one of the key concerns is that some confusion and disagreement among the various layers has led to delays in remediation. What steps are you taking now to make sure that the liability is clear in terms of who is responsible and who needs to pay, and that the people who should be carrying out this work do not shirk their responsibilities?

Lee Rowley: It depends on what the confusion is. If it is genuine confusion, there is a substantial—

Chair: Compared to obfuscation, yes.

Lee Rowley: There is a substantial amount of support, and additional work goes on within our delivery partners—be it Homes England or the GLA, in most instances—to try to get to the bottom of things. These are difficult processes, and highly complex assessments need to be worked through to identify where the responsibility lies, and whoever steps up in each case has a very complicated interaction within that. In a complicated landscape, there is potential for things to need clarification and, as long as that is genuine clarification and genuine removal of confusion, there are processes, people and operations to can do that.

There are people and organisations out there talking about confusion when it is absolutely clear that they have a responsibility under the terms of what Parliament has passed. We have a very strong message for them, and the Secretary of State repeats very clearly and very often that that is not acceptable, that they should get on with remediation and that they should step up to their responsibilities. Where they are not willing to do that, people should take the recourse available to them, and the Department, through the RSU—the Recovery Strategy Unit—will also seek to deal with some of those egregious examples.

Q7 **Chair:** Finally from me before we move on, what happens where there is no clear owner of the building or where the developer has gone out of business?

Lee Rowley: All elements need to be looked at. A number of developers are no longer around, but a lot of developers are, and they need to step up. There is the freeholder question, and there will be individual points about the freehold. Is it franchised? How does that all work? Then there will be interactions with the individual funds, and then there will be the ability for leaseholders themselves to—potentially, should they wish, if they want to go through the legal process—to seek to claim back additional funds from those they believe are responsible.

Q8 **Chair:** Identifying them is the real challenge. Also individual leaseholders do not have the money to fight court cases, whereas some of these big corporations do, which is the big challenge.

Richard Goodman: Building on what the Minister was describing, there are several layers to this framework. The first thing to say is that Government funds will not get in the way of buildings being fixed. If a building has come into the building safety fund to get fixed, we will bring that building in. We may look at avenues and routes for redress down the way, but the priority has always been to get the building fixed first and to worry about those other issues later.

If there is an issue outwith the scope of that fund, there is a process laid down in the Act to go through to drive remediation—there will be a remediation order to compel the work to happen, a remediation contribution order to find the money, and building liability orders to make sure that companies cannot hide behind their shell structures. There is an important role there for regulators, in the case currently, of local authorities or fire and rescue services to take action to drive remediation of those buildings, rather than necessarily leaving it with the leaseholder, although, as the Minister says, that is an option available to them. Of course, in future, for the high-rise—

Q9 **Chair:** The leaseholder? Do you mean the one in situ who has the premises and needs the premises to be remediated? The owner or responsible person may have disappeared long ago.

Richard Goodman: There will always be an owner and a responsible person. Those duties are long standing. The enforcement of that duty can either be pursued through a remediation order, through existing powers under the Housing Acts or through the fire safety order. Of course, in future, the Building Safety Regulator for high-rise buildings will be also able to compel work to be done under that regime.

Lee Rowley: Just to add—the Committee may want to come on to this in a moment—we recognise that this is a complex landscape with many different elements and lots of moving parts and individualised challenges around buildings, although lots of buildings are getting through this process. As we say, we are listening, we are trying to learn and we are trying to see whether there are any other things that we need to look at again. What we are also trying to do is separate out the specifics of the remediation from the ability of people to live their lives, which includes, should they wish, to be able to buy and sell their properties. Up until a few months ago, I think it is fair to say that there wasn't much activity at all in the market.

From our agreements with the big six lenders—agreed in December and going on in January—we are now starting to try to separate those two so that people can make decisions to buy and sell should they wish, taking into account all the other commercial and individual decisions that will need to be taken in buying and selling properties, while recognising that it will take x amount of time to get all these properties through the remediation process. Some will go through smoothly, some will go through semi-smoothly and, for some, there will be challenges. We will need to look at those and work through how we can make them work.

Chair: We are going to explore many of those details now. Kate is going to take up the issue of funding.

Q10 **Kate Hollern:** There have been a number of announcements about where funding will come from. How much have the Government raised for remediation so far?

Lee Rowley: The Government have committed to putting £5 billion into remediation, and that is the amount that the taxpayer will pay. Everything else is expected to come from the industry in one way, shape or form. There are a series of things that are clear at the moment—for example, developers have already stepped up from an ACM perspective on some of the most problematic cladding. Then, last week, we saw the developer contract, which is the equivalent of about £2 billion-worth of remediation.

So it is difficult to answer your question, Kate, and I am not trying to avoid it. We do not absolutely know the total number of remediations required. We have said very clearly what the Government will contribute. We have a good understanding—and have been able to show progress—of other actors coming in and providing additional funding. Then, the building safety levy, which we consulted on and which we will respond to shortly, in due course, will be the main driver of the gap—whatever the gap is—between the total, which we do not yet know, and the contribution, which we do not yet know, but we have a mechanism to fill the gap.

Q11 **Kate Hollern:** How much are you expecting the gap to be?

Lee Rowley: I don't think we have an estimate.

Richard Goodman: We are not expecting a gap. It is worth saying that about £500 million has been spent in the ACM fund. We have committed £1.8 billion within the building safety fund. In terms of the distance to run between demand on that money—just ignoring anything from the industry for the moment—and the amount that the Government have committed to it, there is no gap. For the avoidance of doubt, there is no funding barrier in the way of a building being remediated. Obviously, we need to open the medium-rise scheme in full during the course of this year, but we are confident that the money is there to fix the issue. As the Minister says, the exact relationship between what the levy rate needs to be and how that works is a matter on which we have consulted and on which we will respond to in due course, but there is no funding gap in our remediation programme.

Q12 **Kate Hollern:** Are you saying that, whatever the cost, it will be met and if we cannot meet it through the different strands, the Government will meet it? Is that what you are telling me?

Lee Rowley: We are saying that, as of right now, and for the immediate future—for the next x months or years—there is no issue. There is more than enough money in the system. Remediation can get going as it has done, can conclude as it has done and can continue as it has done.

As for when we stand back in x years' time—when, hopefully, this is all concluded and all these properties are resolved—the landscape will be pretty complicated. But the jigsaw pieces are that the Government are putting in £5 billion, the developers are taking on a portion, the freeholders are taking on a portion and the levy will meet the additional element, whatever it is, although, at the moment, it is still too early to bring forward a comprehensive estimate of what it will be.

Q13 **Kate Hollern:** I do understand how complicated it is because there are so many strands, but can you tell me how much money has been brought in from developers since the announcement in, I think, February 2021?

Lee Rowley: Nothing has been physically paid as of right now. What you do is transfer responsibility for a building from a fund to the developer if it has not been done, and then we will claw back money from the developers, if it is in the process of being done or has been done. But developers committed the best part of £2 billion last week.

Richard Goodman: That is a mixture of how much money they have put aside to fix buildings—that is declared to the market, so that is where our estimate comes from—and money that they will reimburse us, which has already been incurred through the building safety fund. That is what the contracts that the Secretary of State gave a statement to the House about last week cover and, effectively, put into a binding obligation.

Q14 **Kate Hollern:** What about overseas developers? How will you get funds back from them for buildings they have done? Can you recoup any of those costs?

Lee Rowley: Some overseas developers are already in the purview of the current discussion on the developers' contract. There is the name of an overseas developer in that discussion. Obviously, some overseas developers are no longer active here, and we need to consider and work through that. We are doing that with the Recovery Strategy Unit and others. Should overseas developers want to operate within the United Kingdom in future, they will have to pay through the levy. There will be a contribution from that angle as well.

Q15 **Kate Hollern:** It is too early to say exactly how much this is all going to cost, and we just hope that the different strands will meet most of the cost.

Lee Rowley: It is very difficult to have one specific number we can focus on in terms of cost. When I first became the Minister, four and a half months ago, that was one of the first questions I asked. Over the past four months, I have accepted that that is a very difficult number to get at this stage. It is difficult because, one, we don't know what the total population of buildings is and, two, we don't know what works are required on those buildings. Having done deep dives on individual buildings, we know that that does move around, depending on the depth of the individual assessments, where they are in the process and so on. I accept that this is an environment where we have to land that number over time, but the clear message and the clear position of the Department is that there is enough money in the system and that we have a clear structure and clear framework over the coming years, which will ensure that this is covered.

Kate Hollern: I will leave it there.

Chair: Turning now to the "polluter pays" principle, Ben Everitt.

Q16 **Ben Everitt:** In your opinion, which industry groups should be contributing to funding for remediation? It surely should not just be developers.

Lee Rowley: Everyone who has responsibility, ultimately.

Q17 **Ben Everitt:** At the moment, we are getting money off developers, and that is accepted—I think everybody realises that they have a part to play in remediation. It is our understanding that the Government had held discussions with other sectors—product manufacturers, in particular—to seek financial contributions. Those meetings finished in April last year without reaching a financial settlement. Why did they stop at that point? Why did we not get to a financial settlement?

Lee Rowley: As you say, the main focus to date—or the main progress to date—has been with regards to developers. There was a quite significant announcement last week in that regard. Some freeholders have also stepped up. Some developers stepped up prior to the signing of the developer contract and have just got on with it. Sometimes we will know when freeholders have stepped up; sometimes we will not know, because they will just get on with it, so there is an information gap. But we have evidence that that is happening in some instances.

There is a live discussion about the other parties in the industries and sectors that have been involved over time, and we will have more to say on that in the coming months. We are very, very, very clear that, as a principle, those who have caused the issue should pay for the issue. Through a combination of what the Secretary of State has said and the way that he has structured this approach—including the Recovery Strategy Unit—we are very clear that we will continue to pursue those who have ultimate responsibility. Anything else, Richard?

Richard Goodman: No, I think that is right.

Q18 **Ben Everitt:** Is there a timescale?

Lee Rowley: I am sorry to give you a politician's answer, Ben, but I think we will announce more in due course, if that is all right. As to the principle you are asking about, it is absolutely the case that the distribution of responsibility is broader than the developers, which we have been able to announce so far.

Q19 **Ben Everitt:** So we are talking suppliers, installers, contractors, sub-contractors and insurers—that type of scope?

Lee Rowley: Everybody who has responsibility should step up and ensure they discharge their responsibilities in this area.

Q20 **Ben Everitt:** Are these conversations happening individually, or are you getting everybody together in the same room? We did a roundtable recently, and we were told that the last time the whole supply chain was in the same room was the 2018-19 financial year. It would make sense to get them all in and do it all at once.

Lee Rowley: Richard, do you want to comment?

Richard Goodman: Yes. I am interested in who the whole supply chain is, because I think that is contested. On construction product manufacturers, you will have seen the Secretary of State's letter—I think it was extremely clear—that it is not over; there is more to come.

The one thing I would add is that it is not just HMG that can pursue others in the supply chain. One of the major reforms in the Building Safety Act is to increase what is called the golden thread—to increase the transparency of who does what in a given building—precisely to avoid this carousel of blame in the future, where everybody hides behind somebody else.

Last week I was looking at some work that a developer had done, where they had successfully pursued their contractors—who had successfully pursued their own supply chain. That is one of the intended outcomes of the Act: not everything needs to be done on an HMG funding basis and the industry can take its own action. Some of the market declarations from the developers have revealed that they are also expecting to recoup money from that. There is a network of interventions, not just one particular conversation with one particular set of people.

Q21 **Ben Everitt:** From an industry perspective, that certainly would be welcome. However, what every player in the industry is looking for is certainty about the timescales and when the interventions are going to happen. From then, the natural order should kick in and, as you describe, the liabilities should flow.

Lee Rowley: We are also very keen for certainty. Certain sectors that have not stepped up can provide certainty by stepping up. I don't mean to create a circular answer to your question, but nothing here is simple—it is a very complicated environment—but it can be made more sensible if people come to the table. Organisations and parts of the sector have choices about that. A number of elements in the sector have made the choice not to come to the table so far. We are moving through this in a steady, careful and managed way, but we will move and we will get there.

Q22 **Chair:** Just to clarify, which groups are causing the confusion and concern here? Obviously, there are the developers who have not signed the relevant contracts—we will come on to that in a minute—but where does the confusion lie in all this?

Lee Rowley: There is an element of the developer population who have not yet stepped up, as you have indicated. There is an element of freeholders who are clearly doing unacceptable things, in my view. There is an element of managing agents who are advising their freeholders of things that in some cases are completely contrary to the Building Safety Act. They are either misunderstanding or choosing to misunderstand the Building Safety Act. Then there are other sectors who—

Q23 **Chair:** Just to cut across you, we will come on to those contracts. The Secretary of State has been very clear on the companies that have failed to step up to the mark. When are you or the Secretary of State going to start naming the people who are causing these problems?

Lee Rowley: On the developers, we named the 11 last week who did not sign. I know that a number of those have done so.

Q24 **Chair:** We have talked about freeholders and building owners. Who are the people? The innocent leaseholders sitting there in their homes are going, "Is this ever going to be fixed?"

Lee Rowley: One example of freeholders is Railpen and the companies that front Railpen up. The Secretary of State and I have both interacted with Railpen over a number of their different properties where they have not taken action where we think it is reasonable to do so. I have visited one Railpen location, in Cardinal Lofts in Ipswich. I have spoken to Railpen on the premises around that, and they have a very clear message from the Department about what they need to do. We have a number of other freeholders and their representatives who are not doing the "right thing". They know who they are, without becoming too difficult—

Chair: They know who they are, but the public does not know who they are.

Lee Rowley: We will name them in the coming months, at the appropriate point.

Richard Goodman: If I may add to what the Minister is saying, for ACM buildings we have published a list of freeholders who are not meeting their responsibilities. However, it speaks to the Minister's point, which is that naming and shaming gets you so far, but often we have found that that needs to be backed by action—for example, the case that the Minister described with Railpen—to get some purchase on the behaviour of those freeholders. We have published some of those details in the past, but that is not the only step that the Department is in a position to support.

Chair: I agree. That is an initial step, and they can fight it out in public if they want to, once they are named. Moving on to delays, Andrew.

Q25 **Andrew Lewer:** We have heard about some of the people who you are chasing, but the application process itself from the building safety fund was described several times by the attendees at the roundtable we have referenced of all the various actors in this as slow and time consuming in all sorts of different ways. Does the Government think that the process can be made more efficient, and is the Government currently doing anything to make the process more efficient?

Lee Rowley: The answer to those questions is yes and yes. I hope that the Committee and those who are taking an interest in this would take that in the spirit that is intended. An awful lot of work has been done; a substantial amount of progress has been made. On ACM, 96% of properties that have been identified are now either completed or under way. On the building safety fund, we have double the amount under way or completed that we did this time last year, so there is definitely progress, but there is an awful lot more to do.

I will let Richard comment from an operational perspective, but I see one of my main roles as trying to make sure, to dip-sample and to get involved. Obviously I cannot get involved in thousands of individual cases, but I can look at a number of individual cases on a very regular basis to understand what is happening in those individual ones and also to make sure I am clear about what is happening in the individual funds.

In recent months I have instituted a weekly review of a single property, which I pick out at random from my correspondence, and we go and do a deep dive. We get the fund manager to go through that and we get the people in the room that we need to. It has been very useful—albeit, on an anecdotal basis—to understand the specific issues that we are seeing. I am also starting to join calls. I joined one of the GLA performance calls a week ago last Thursday and I will continue to do that. Yes, there is more to do here, but I do think and hope that you will see an acceleration of progress here. Richard, from an official perspective?

Richard Goodman: Not much to build on there, save to say that, where we can, we make improvements and we learn about the changes that we can make. For example, we have increased the amount of technical support that we give to freeholders to help them navigate the process, where they are willing and able to do so. We have changed the assumption in the fund that everybody will get what we call a client-side support provider, a technical expert, if they need somebody to navigate it.

Fundamentally, we are not in control of these buildings—freeholders are in control of these buildings, so it is about us learning what will work for those who are willing to move. Back to your observation earlier, Chair, it is none the less the case—like the Minister, I visit these buildings on a regular basis—that sometimes this is not through want of will or trying; it is behaviour on the part of somebody who statutory action will need to be taken against.

Q26 **Andrew Lewer:** From what you have just said, I am interpreting that there has been an increase in the staff reviewing and assisting with these applications.

Richard Goodman: Yes. Sometimes they are contracted staff and sometimes they are support staff within the Department or they are within Homes England or the GLA.

Q27 **Andrew Lewer:** Also, coming up in the roundtable discussions we had were a lot of complaints about process, about the amount of time and detail, and about leaseholder and landlord certificates and them being very difficult to complete—some people said it had taken them a huge number of hours, and even then a lot of them ended up being submitted incorrectly. That has caused remediation delays in some cases.

Is the Department therefore looking at making changes to the certificate process itself, and how flexible is the Department about applications that are largely correct but have some technical or minor details in them? In all areas of life we have all been annoyed when someone has said, "You haven't put a space between these two words" or some other incredibly annoying thing. How open are you to an application where you know what it is all about even if there is something that is not 100% within it?

Lee Rowley: The short answer is that there is more to be done here, Andrew, and we will try to do that. I say this advisedly, but if there are particular individual examples where people can see something that is not working within the process, I would welcome sight of that so that we can feed that in. However, from the deep dives that I have done and from reviewing where things are, it is a really complicated landscape. I know that officials and our partners—be it the GLA or Homes England—are working extremely hard in this. I am very grateful for all the work they are doing, but there is always room for improvement—there is definitely room for improvement here. Then you get into the weeds of some of these things and it becomes very complicated very quickly.

My answer to these questions is not always going to be that it is very complicated, but the reality is that there is an element about capacity within the individual representatives of the buildings themselves. Sometimes there is an element about interaction. There is an element about knowledge and capacity—hence the CSSPs that Richard was talking about.

There is more to do across the piece. I am always happy to look at forms and things like that. I hope that there is not the spacing problem indicated. If there are examples of that, we should know about it and we can seek to see whether we can optimise the process.

Q28 **Chair:** Looking at the developers' contract that I mentioned earlier, the Secretary of State announced last week that 39 developers had signed but 11 were still outstanding. Can you give us an update? They were given a week and that week is running out rapidly. Where are we? Have any of the others signed?

Lee Rowley: Yes, three more have told us they are signing. Of the remainder—

Richard Goodman: Yes, we are in conversation with all of those developers, so I am hopeful that we will see more signatures during the course of this week. The Secretary of State has set out that, in the coming days, he will articulate the pathway forward for those who have not signed.

Q29 **Chair:** Is the Department happy with what the contract is requiring the developers to do? Is it watertight?

Lee Rowley: I know that officials have worked extremely hard over many months.

Chair: I am not being critical. Is there a challenge here?

Lee Rowley: We would not have put forward this contract if we did not think that it answered the question. This is a challenging landscape, but we are hopeful that this will allow progress to be made. We are always happy to take feedback.

Developers have a responsibility to deal with this, both in actuality and in spirit, and they understand the spirit of what we are trying to do here, so we hope that there will not be the kinds of problems that people are, quite rightly, highlighting. There are potential risks, but we hope that those risks will be mitigated through evidence in the coming months.

Q30 **Chair:** I think that the Secretary of State reported 1,100 buildings will be fixed as a result of the contract. That begs the question of how many will not be. Do we have data on how many are not in scope of this contract now?

Richard Goodman: That number is not necessarily fixed; it may grow. If a building comes to light that we know a developer has built, it will be added. This is from their assessment of the stock that they built. Obviously it covers high-rise and medium-rise buildings.

It might be helpful to draw back to the answer that the Minister gave earlier, which was to say that, if a building is orphaned, we cannot find the developer and it has a cladding defect, it will be taken through the funds. The better developers in the patch have taken buildings already and started work on them. I saw one a few weeks back where the developer was midway through fixing it before the contract was even signed.

We said that developers needed to match the timescale in the building safety fund in order to take responsibility for that building. If we cannot find the developer of a building and the scheme will extend, the fund is still there to make sure that that building gets fixed. It is not the case that if it is out of the contract it is—

Q31 **Chair:** How many buildings are there? You say that some may be added. We must know how many buildings there are—not necessarily how much work there is to be done on them, but how many buildings there are.

Lee Rowley: There are over 10,000 medium and high-rise buildings out there—in fact, quite substantially north of 10,000. We are anticipating that many of those will not be a problem. Then it is getting through this evaluation. To the point that we discussed with Kate a few minutes ago, we don't know absolutely how many will be required. We have ranges and estimates of what that will be. They will become clearer as we go through. On ACM, and the main and the most problematic buildings, we are relatively comfortable that the 490 figure is not likely to move around massively.

Q32 **Chair:** You mentioned the 96% that are either in process or not, but that still leaves 4%.

Lee Rowley: Some of those are unoccupied, but, yes, there is still progress that is needed on the long tail of the ACM. On the high-rise, 18 metre-plus, we have over 1,000 that are moving there.

Q33 **Chair:** Just to be clear, are you saying that all 1,100 are in the high-rise, 11 metres and above, sphere or are you saying that there are those above 11 metres that are not going to require any work?

Lee Rowley: There are two elements there. There is over 18 and then there is 11 to 18. On the 11 to 18, because we are only just starting the pilot on that—

Q34 **Chair:** Let's start with the over-18.

Richard Goodman: There are about 1,200 buildings in the building safety fund and there are 490 in the ACM fund. We are not expecting those numbers to shift significantly. Buildings do come in. Seven buildings came into the ACM fund during the course of last year, for instance, because people work on the materials and they discover that it has been constructed out of something that they did not realise, or they do a further assessment and they learn something about a building, so the fund responds to that. As the Minister said, the medium-rise fund is currently in its pilot stage and will open fully later next year. The buildings covered by the developers are of mixed heights, from 11 to 18—

Q35 **Chair:** Let's be clear. On the 18-plus, how many buildings are not going to be touched as a result of this new contract?

Richard Goodman: I am expecting in the low hundreds of buildings to move out of the building safety fund or to be reimbursed by developers, which would leave a cohort of 700 to 800. I am giving you a havering number at the moment because data returns are due in from the developers, which is why I cannot give you the exact number today.

Q36 **Chair:** No, but we want to get a flavour of exactly how many we are talking about here. One of the problems from the very beginning of this was to establish how many buildings are in scope, how many are not, what needs to be done on them and why, whether it is cladding, ACM cladding or fire-risk requirements, which changes the ambit of these things. Getting a handle on data has been very difficult for us as a Committee, let alone for the Department.

Richard Goodman: We have published a methodology on medium-rise buildings, which we can send to the Committee if that would be helpful.

Chair: That would be helpful, yes.

Lee Rowley: But there are big ranges on medium-rise at the moment because we are at the absolute beginning of this process. We put 72 into the initial pilot. We have just last week expanded the pilot slightly by another 50. This is a new process run entirely by Homes England, with new technology and new approaches. We need to make sure that that works before we open it more widely. That will be a process that takes multiple thousands of buildings.

Q37 **Chair:** There are clear concerns on this because of fire safety and the number of fires there are in these medium-rise buildings, which are more prevalent than in the high-rise buildings, so clearly a fire risk is of concern. We have heard in evidence a lot of concerns about the discrepancy in the standards between the contract and the Building Safety Act. Do you share those concerns? That is feedback that we have had from witnesses to us.

Lee Rowley: We talked about this extensively internally. I am not sure that we do, but I will let Richard explain the answer from a Department perspective.

Richard Goodman: The Building Safety Act is designed to be risk based and to address material risks in a building. The methodology that is at the centre of the developer contract, which is the same methodology that has been at the centre of the banks' work on EWS1s, the PAS 9980 methodology, is also risk based. Therefore, we would expect there to be alignment between the Act and what we are looking for in the contract, because the priority for all of us is to make the building life-safe.

It is obviously the case that, as the methodology is worked through and tested in the contract, and as people start to use the statutory framework, we may see different interpretations appear in the tribunal from a given assessor about the nature of a particular risk. We are very attentive to that, but the intention of the Act, and behind the contract, is to keep those two things in lockstep. If they are moving out of lockstep, we are keen to understand how.

Q38 **Chair:** At what stage will you take that action? There is a concern that there may be inconsistency here between different developers and different participants in the contract. If there are widespread differences, that is going to lead to an increased risk for some leaseholders. At what stage do you say, "We now need to step in"?

Richard Goodman: The monitoring regime for the contracts kicks in pretty much now. There is a quarterly process through which the developers need to report to us on assessments.

It is worth saying two things there, though. First, if freeholders—and it probably is freeholders but leaseholders might raise their concern through their freeholder as well—feel like the assessment is not being done properly or it is not rigorous enough, or someone has been assessor shopping or something, the provisions in the contract are very clear that it needs to be an independent, competent, qualified individual undertaking that assessment, and we would like to hear about it, bluntly.

Secondly, once a freeholder has entered into a contract of works with a developer—which is the relationship that we oblige the developer to enter into with them—there is a dispute-resolution process available for that if they feel that work is going off-kilter and not being done to standard.

So there are a number of mechanisms in the contract to make sure that that standard sticks. I suppose what I am saying is that, if anyone is encountering a situation where that is not happening or it looks ambiguous, we are very interested to know about it, because we are setting up a monitoring regime for these contracts to make sure that they do what they say on the tin.

Chair: That is very helpful, and we will feature that. We are going to move on to the responsible actors scheme.

Q39 **Kate Hollern:** On 30 January, the Secretary of State announced the responsible actors scheme. Last week he said there would be "a significant intervention in the market…to hold developers to account" and that more information would come out this week. Can you tell us what provisions are in the responsible actors scheme?

Lee Rowley: I probably cannot, or I will be pre-empting the Secretary of State.

Kate Hollern: I thought that it was a team effort.

Lee Rowley: It certainly is a team effort, and there is a team captain, so I am very keen to give him the opportunity to articulate this. As you say, Kate, he was clear last week that this was coming. It is still coming. We have said publicly that those who are eligible and who are invited to sign up to this but who refuse to do so will not be able to construct buildings in our country, and those who have commenced construction will not get building controls sign-off.

There will be more details provided in the coming days on that, but it has been made very clear to the industry that we are very serious about this and that it will be something that we do not want to use but that is ultimately there to be used should that group of developers that have not stepped up yet continue to not do so.

Q40 **Kate Hollern:** Do you think there will be enough sanctions for those that are deemed irresponsible?

Lee Rowley: If they cannot build and if the things that they have built do not get signed off so that they cannot be occupied, that feels like a very substantial challenge to their business model. Obviously, I am a capitalist and I am pro-market—and that is one that we can debate outside of this Committee—but I want capitalism to work in a way that is effective. The ideal would be that the responsible actors scheme is never needed to be used, but it is appropriate that we regulate in a way that makes it clear to actors who have responsibility in this area that they need to step up to those responsibilities and that there will be consequences if they do not.

Q41 **Kate Hollern:** What do you think the impact will be on the housing market?

Lee Rowley: The housing market is very, very moveable and very, very fluid. We do accept that there will be a small potential impact, but we would also expect that to be relatively small within the overall broader scheme of things. We need to bring forward the details and then have the discussion at that point. Anything further from an officials' perspective?

Richard Goodman: The only thing that I would add is that most of these organisations have already declared their provisions, and declared them some time ago. So they have made their own market statements about supply, which, as the Minister says, has so far been not nothing but not material in a way that would cause alarm.

Q42 **Kate Hollern:** You think that it will have enough teeth but still attract people to sign up. You are confident, although it is still developing.

Lee Rowley: I hope that it is not needed to be used, because I hope the market self-regulates to a place where they clean up the issues that they have and they take responsibility. That would be the right thing to do, it would be the proportionate thing to do and it would be a reflection, without getting too philosophical—Kate, you are shaking your head at me again—that capitalism works. I hope that it will be determined to be so.

Q43 **Kate Hollern:** But just to take an example, if a developer becomes ineligible to sign up, what happens to the development? Is it left unfinished?

Lee Rowley: We will bring forward more details on this, but it is clearly the case that we want to set the kind of certainty that Ben was talking about a moment ago in a different context. We want this to be clear, we want it to be certain and we want developers to understand the implications of what they are doing and what they choose not to do.

There will always be consequences. We want to minimise those consequences. I have a development—completely unrelated to this, properties rather than flats—in my part of the world, in my constituency, that has stopped for commercial reasons. That isn't where we want to get to. However, ultimately, we have to ensure that organisations, entities, boards and directors are clear about what the Secretary of State has set out, and are clear about the decisions they take around it and what the consequences could be.

Q44 **Kate Hollern:** There has been comment from the Home Builders Federation. It feels: "There is potential to be applied to product manufacturers as well as developers, but to date only UK home builders have been targeted, with plans to block UK builders from receiving building control approval, effectively putting them out of business should they not sign the contract". Are those fears genuine?

Lee Rowley: The answer to that—building on what we talked about a few minutes ago—is that we are very clear that responsibility for the challenges that have been visible in the last half-decade or so are over a number of different parts of this industry. There are a number of different sectors, and we expect all those sectors to step up.

The focus at the moment is on the developers because 39—42 of them now—have done the right thing and have indicated their willingness to do that, on top of those that were already fixing in the background. The narrative and the discussion, quite rightly, at the moment is on the developers, but it is absolutely the case that we are going to look at all sectors involved here—and we are already doing so—to make sure that, where they have responsibility, there is a response to that.

Kate Hollern: It may be useful to pass that information on.

Lee Rowley: We work very clearly with the HBF on this.

Q45 **Chair:** For clarification, obviously there is a substantial amount of work to be carried out on cladding and other remediation, and there is the capacity for the industry to be able to do this, which leads on from what Kate was asking about—the capacity for the industry to do this and to keep building the properties that we need. Have you done any analysis of what the impact is over the period of time of doing this remediation?

Lee Rowley: Putting aside the caveats of not knowing exactly what the population is, which we have discussed, and to your broader point, yes, absolutely, there is a question here. We have seen that the industry has coped so far with this, but we know that there is a lot more to come. As recently as last week, I asked the team to go through and undertake a refresh of the skills that are needed.

It is fair to say that there have been a number of interventions in terms of upskilling and making sure that, in terms of the fire risk assessors, we are getting the broadest population that we need at the moment. We are not seeing a particular challenge around that right now, although I know that there have been some instances of that in the past. However, we are trying to put in place the building blocks to be able to try to resolve that. It is imperfect science but, ultimately, we recognise that capacity could become a constraint.

Q46 **Chair:** There is a certain number of people working in the building industry, and if they are doing work on this they cannot be doing work on new properties.

Lee Rowley: Yes. It is going to be a question of what the market is like in general, geographical differences, what capacity is coming through the market and so on. Yes, your point is absolutely right, and we are looking at this to see whether there are any big blockages coming.

Q47 **Kate Hollern:** It is estimated that there will be 70,000 fewer affordable homes built next year because of the rules that have been applied and the pressure on the industry.

Lee Rowley: I am not sure I agree with those estimates. There are a number of estimates around, both in terms of economic and market conditions and also some attempts to do this. We need to get to a place where the number of buildings that are going are going as quickly as possible. That is why the developer contract is very helpful. We then need to come out with more information about the levy, which we will come out with in due course. Those discussions will be easier to have at that point. There are too many variables at the moment.

Chair: Moving on, we are going to look at the Recovery Strategy Unit

Q48 **Andrew Lewer:** On 30 January, the Secretary of State said the Recovery Strategy Unit is "actively investigating the concerning conduct of various companies across the built environment, including contractors and construction product manufacturers." Overall, however, there is not that much information about the RSU available. Could you describe what the RSU's work is and what it actually does?

Lee Rowley: I will ask Richard to talk about this is more detail, but at the highest level it is a team that seeks to identify and then pursue the most egregious examples of issues, problems and bad-faith acting within the sectors, plural. There are many different leads at the moment, and they all have to be triaged. A series of individual cases or individual areas are then chosen. There are, I think, 19 live inquiries—live activities—under way within that team. They are building up their capacity, they are building up their knowledge and they are building up their experience.

They are not a casework team and will not be able to take every single case that is coming. The purpose is to find specific examples to pursue, to get results and to demonstrate to the industry that we are willing to do that, where people are not doing the right thing. Hopefully, that will also change behaviour on a broader scale for those who have not done the right thing, beyond the one or two that we pursue. From a details perspective?

Richard Goodman: To build on that, the only additional function that I would describe is that the RSU is sometimes supporting others to take action on their own terms. You will understand why I do want to get into too much detail of investigative methods here, but part of the RSU's job is to use intelligence and information, which we have, in support of other actors in the system as well.

Q49 **Andrew Lewer:** Obviously, if you are choosing people to make an example of, that would involve fraud, I would suggest. How do you classify what is sufficiently concerning conduct to go that much further in terms of investigating and pursuing?

Lee Rowley: You have seen some public examples that the Department has highlighted. Vista Tower is one example where we believe that it is proportionate enough to talk about that in public and about what has happened. Hopefully over the coming months, at the appropriate point when it is put in the public domain, you will start to see what choices are being made here.

I think, if helpful, that we have made an offer that, should you wish to talk to the RSU and are keen to do that, we would be happy to make available the head of the RSU to talk to you in more detail about the work that he is doing.

Q50 **Andrew Lewer:** That is very helpful. Finally, you have those 19 cases—they are the most egregious ones. What about the referrals that do not come become active cases to that significant, serious extent but that are still important?

Lee Rowley: To Richard's point, there is the opportunity for individual leaseholders or those affected to take action. I know, from your roundtable and from discussions that I have had, that that is a very difficult and challenging issue for residents who often just want to live their lives and may have challenges about pursuing a legal process. However, we want to make that available, and the RSU may be able to support in individual instances.

Ultimately, we are trying to create a process whereby people realise that behaviour change is required. For those who do not undertake behaviour change, there are levers that can be pulled by those who are affected—that being the principle of our legal system and the like—and then the Government, where it is necessary and where it is egregious. Hopefully, that will allow more behaviour change to come consequently.

Chair: Exploring the data in a bit more detail, Mohammad.

Q51 **Mohammad Yasin:** The Committee has previously drawn attention to the lack of data published by the Government on affected buildings. Is the Department trying to establish and publish a database on the prevalence non-ACM cladding and non-cladding defects on buildings above 11 metres in height?

Lee Rowley: We are not proposing a database of individual buildings that are impacted.

Q52 **Mohammad Yasin:** What are the plans, then? If there is no detail available or you are not publishing it, how will the public know what is happening in real terms?

Lee Rowley: We publish quite a substantial amount of MI on a regular basis, which goes into detail about the amount of remediation that has been completed, the amount that is under way, the amount that is agreed but not yet started, and then areas where there are problems. We have broken that down on ACM in terms of private property, hotels and public buildings, along with the properties that we are talking about, social sector and the like. There is a substantial amount of data out there.

I am looking at what else we can do. We want to be transparent. We want to highlight both progress and where there are challenges. This is a shared endeavour. However, in terms of whether we will ever get to a single, searchable database that says, "Here are the 5,364 buildings that have a problem," then no. That was a principle and a decision that was taken very early on—that we would not be individually naming buildings, but we will create the process by which the leaseholders within those buildings are able to seek remediation, get clarity on the problems and then go through the process of solving them. In aggregate, we will seek over time to try to provide you with as much information as we possibly can on progress.

Q53 **Mohammad Yasin:** Do you think that to rebuild the trust between Government and the public on building safety, having data transparently available to people is very important?

Lee Rowley: Yes, which is why we publish it.

Q54 **Mohammad Yasin:** Do you have enough data?

Lee Rowley: As I say, I am always happy to look at whether additional information needs to be provided. I am sure that we will be iterating it in the months and years ahead. There is a substantial amount of work coming. If there are specifics that the Committee think would be helpful to add in, we can certainly consider it.

Q55 **Chair:** In terms of where we are on the funding pilot for the buildings of 11 to 18 metres, obviously the pilot arrangement is in place for the moment. How is that going?

Lee Rowley: It is early days. About a month or so ago, I went to see Homes England to do a deep dive in one of their offices. We invited 72 to apply. Of those, most have chosen to come forward. We are trying to understand those that have not done so. It is important to get into the psychology of why individual buildings are not coming forward, or their representatives. So this has been helpful in terms of starting that process.

Multiple dozens are going through the assessment. We need to get through that process. About 10 days ago, we poured another 50 in, which will allow additional volume to go in. I am very keen to put more volume in as soon as we possibly can. We are having that discussion internally at the moment. So I hope that we will get a fairly good chunk relatively soon whereby we can start deriving some conclusions at the early stage of these processes.

Q56 **Chair:** Presumably it is a bit early to say that you flexed the scheme to make changes. Is that fair, or have there been changes as you have learned lessons?

Lee Rowley: I am sure that there have been some very low-level operational ones. I was in a room for literally two hours stepping through individual process flows and things like that. I know that the project manager is taking it extremely seriously and making sure that they are clear about what happens. We have deliberately poured this additional 50 into the funnel so that we can stress-test each individual area with more volume, with a view to opening this up more fully and in full at some point later in the year.

How we do that—whether it is in a staged process or whether it is a big bang—is still to be worked through. However, we are getting increasing confidence that the processes work, although we still have to get as many down as possible, and that the technology works so that it can stand up to additional volume when that volume starts.

Q57 **Chair:** You said that you were going to start the wider roll-out later this year. Can you give us a timeframe for when that will happen? Soon would be great, but the autumn might be helpful—as long as we know roughly when this will start to happen.

Lee Rowley: I would hope that we would have news this side of recess, but we need to get throughout the process.

Chair: Summer recess?

Lee Rowley: Yes, summer recess, not the Easter recess. Thank you for correcting me--otherwise I am making very strong statements about the next couple of weeks. I certainly think that we will be able to put more people into the pilot very soon, or I am hoping that that is the case.

Q58 **Chair:** Is the plan to expand the pilot rather than to say, "Okay, we've done the pilot; let's do a big bang and do everything else"?

Lee Rowley: I need to get feedback from the team. We need to be led as a Department by the team who are dealing with this on a day-to-day basis. However, as a principle, I think some additional volume through the pilot would be helpful, on top of the 122 or so that are going through at the moment. Then we need to work with the team on how we do a roll-out. That roll-out could be everything going in at once or it could be that we do it in a phased way.

I know that there is a lot of eagerness to get this moving because there is a substantial number of buildings that we need to move through this process. I hope that residents will take a little bit of heart that it is under way, that we are trying to make progress and that we will try to get this open as quickly as we can later in the year.

Q59 **Chair:** Leaseholders will be sitting at home—possibly not sitting at home; probably working—and thinking, "When is my building going to be done? What assurances can you give me about what work will be required, when exactly will we know the full details and how long is it going to take to fix?" Those are the things that really affect people. When are you going to be in a position to make those announcements?

Lee Rowley: Probably the answer to that is as soon as possible, but I hope that—

Q60 **Chair:** Given that you are putting more buildings into the pipeline, you should now be in a position where you are getting feedback and where, as long as you have a reasonable mix of buildings, you know that it takes this length of time, this number of people and this amount of money. That gives you a flavour for it, and then people can be told what exactly it is that is going to happen to their building and, most importantly, when it is going to happen.

You talk about the housing market. A lot of these people are sitting in buildings where they cannot sell their property and no one wants to buy them because—well, who knows what is going to happen. These people do not want to live in a building site either. All these things happen, as you know, so the more certainty that we can give people, the better.

Lee Rowley: I totally agree, and I am sorry that I cannot give that absolute certainty today. I know that the Secretary of State and I will do our absolute best to give as much certainty as we can. I am just not in a position on the medium-rise pilot and the cladding support scheme yet to give a specific date, because I need this pilot to go a little bit further before we start doing that. I am happy to come back and talk to the Committee about it.

Q61 **Chair:** Is there any date for the pilot?

Lee Rowley: Within the coming months. This is not something that I am seeking to move out into the distance. I understand and completely appreciate that those residents are frustrated about where things are. I have seen them and I have met them. I have spoken to people in Manchester, Ipswich, Sheffield, and they are frustrated about where things are. I am going to visit another one on Thursday. I hope that, if they look back to where we were in the autumn, compared to where we are now, they can see progress. We can see that the developer contract has moved. We can see that we are starting to move on lending. I am starting to see some initial data back that suggests that that is the case from the lenders and we hope to make more progress. We have opened this pilot, which means that we are now testing the processes with a view to getting the big volumes through it as soon as possible.

Chair: It would be very helpful to get a note or something from you about what is going on in the pilot and what the progress is—how many units and so on—so that we can look at that and consider whether there are any suggestions that we could make to assist. That would be very helpful.

Moving on to support for social housing and local authorities and social housing providers.

Q62 **Kate Hollern:** If I can just tag on to your last question, there are an awful lot of people whose lives are in limbo. Some have houses that are too small for them, and some are too big, and they want to build to a plan. I know that it is very difficult to guess, but a timescale is important to give some reassurance. Most people will not know what has been developed, what is happening in Parliament and the plans there, so that reassurance is really important.

Lee Rowley: I agree. We will try to provide as much certainty as we can. It is early days, but I would encourage those who can and who wish to look again at the lending changes that we have made. If people want to change—if their property is too small, if they decide they want to move—putting aside the other commercial and individual perspectives and the individual circumstances, I am trying to work very closely with the lenders so that we are separating out some of these questions. It is just going to be the case that some of these buildings are going to take time to get fixed, for good reasons or otherwise. If we can separate out people's life decisions from that, hopefully, that will disconnect some of the challenge.

Q63 **Kate Hollern:** Moving on to support for social housing and local authorities, local authorities and social landlords are experiencing financial pressures to deliver other commitments. We know about the mould scandal and net zero. There are a lot of challenges, particularly on local authorities, and now, of course, safety has been piled on top. Do you think it is right that local authorities and social providers have to fund so many issues themselves?

Lee Rowley: It is certainly the case that, on ACM, we have funded the social landlords that have needed it; about 100 or so—I cannot remember—of that 490 are social landlords. Equally, social landlords have access to the BSF and will have access on the same terms to the MRS, to the cladding support scheme and to the mid-rise scheme, as and when it opens in full.

There is a balance here because, ultimately, we have to align responsibility for properties with the ultimate owners. We also accept that there is a challenge within the social housing sector. One of the reasons why we have given access to these funds is to acknowledge that. We want to continue to work with the social housing sector to see what can be done. We have given a commitment that, where social housing providers have clear issues with being able to manage this, there is the opportunity to use the funds in that regard.

Richard Goodman: There are two tests, effectively, for a social housing provider to access the funds, as the Minister says. The first is whether there is any question about the financial viability of the provider. The second is on an apportionment model. If you have leaseholders who you would—but for the protections and what we had already done in the fund—be charging for, you can effectively get pro rata support on that front. We are in good and continual dialogue with the social housing sector about what these obligations may amount to.

To go back to one of the earlier questions from the Committee, it is fair to say that we need to improve the visibility of where the social housing sector is on remediation. We are in conversation with them about how we might make that more transparent than it is at the moment.

Q64 **Kate Hollern:** It is good to know that you are having conversations, but you also need to recognise that local authorities and social landlords are really struggling, so maybe the conversations are not deep enough or informative enough, or maybe they are just totally inadequate in terms of the options left to people. Social landlords are saying that they are really struggling to refurbish their stock, build new stock and deal with all these other issues that have come through. Are you concerned that, if social landlords are financially struggling, or struggling with the responsibility of everything, that will deter them from building new houses, because they have so much to concentrate on right now?

Lee Rowley: As you say, there is quite a broad landscape here. There are a number of different pressures on social housing landlords over the long term. Some of it is very, very long term, but some of it we want to make progress on as quickly as we possibly can. We want to make progress on these issues—resolving life-critical safety defects—as quickly as possible, and we want social landlords to do that.

We think we have put in place, on the building safety side, a process that allows the dangerous parts of it to be moved and us then to have the relevant discussions with social landlords, which you can see through the fact that some of them have accessed the fund that we are doing. There is obviously a broader conversation about the social sector, which colleagues within the Department, rather than myself, are leading, but we are trying to work through with the sector where there are challenges and what we can do to support it.

Q65 **Kate Hollern:** Local authorities have raised concerns about having insufficient capacity and funding to act as collection agents for the building safety levy. Do you have any concerns about how this could further delay remediation and other work conducted by local authorities?

Lee Rowley: As a Local Government Minister, the reality is that that would need to go through a new burdens process at the time, as and when and if that is required. While I understand and recognise why local authorities may raise it at this point, I would ask them to wait until we have gone through the process. We need to come back out with our response to the consultation. We need to finalise the proposals around the levy, and out of that I would expect to drop some form of additional requirement on local authorities. That would need to through a new burdens process, which would identify if there were new activities being taken there. Then, through the usual convention, we would seek to fund that.

Q66 **Kate Hollern:** We know that there are huge burdens placed on local authorities right now. We have the voter ID for elections, which is causing some stress and strains within council departments. We have a general funding shortage; we have levelling up. Local authorities appear to be held up as the champions of delivery on any sort of Government projects, but they do not always get the resources following through. There is a danger that there is too much pressure on local authority staff, in particular.

Lee Rowley: Local authorities are very effective delivery partners, which is why we use them, and we are very grateful for what all our colleagues in local government do. However, if you take the examples that you are highlighting—while I take your point about needing to look at everything in the round, and we certainly need to do that—the combination of a settlement that put quite a substantial amount of additional money into the sector this year, and the principle of new burdens, which means that when new responsibilities come to local authorities, they are quantified and additional funding is made available, will, I hope, mitigate some of those issues. On top of that there are things like the towns fund, the levelling-up fund and all the rest of it, whereby there is the ability to bring in additional project management resource and so on.

If you take voter ID as an example, it has gone through that new burdens process. There has been new burdens money made available to local authorities, and there has been clarity that if they find that that money is insufficient, they can make a further case through the justification-led bid process that will occur later in the year, as through the normal process. On top of that, £4.75 million has been made available to them to make sure that their individual processes work and so that they can go out and talk to their individual communities, and, in particular, hard-to-reach ones.

While accepting the broad point you are making, which is that we have to think all of this, and I agree, I hope you can see that new burdens does work, and we have used that elsewhere and it is visible elsewhere. As and when and if we get to a point where the choice is that local authorities administer the levy, and as and when and if there is a requirement for additional resources there, we would go through the normal process on new burdens.

Q67 **Chair:** Just to take that up, the LGA estimate that staffing would be required across 300 local authorities, with a huge skillset deficit. Have you taken that into consideration in your determination of what is needed?

Lee Rowley: Yes, we have had, and, yes, we will. Part of the answer to that question is as and when and if. We need to get through the levy, we need to work through what the response is and so on. But, yes, in terms of the process and discussion that we were talking about a moment ago, about the wider skills question in the sector, this will be a subset of that discussion, which has been had, which we keep having and which we are seeking to refresh.

Chair: The problem is that it takes people time to acquire the skills.

Lee Rowley: It does.

Chair: Unless we start work now, we are not going to have people in place when we are in full swing.

Lee Rowley: Absolutely, hence why we are trying to give additional attention to it, as per the previous response.

Chair: We are going to look at insurance now.

Q68 **Andrew Lewer:** We have heard throughout our various inquiries and looks into this massive issue of insurance premiums and how much they have gone up. One example that we had was of a leaseholder's insurance premium that went up by 400%. Has the Government been able to work with the industry to try to get these premiums back down again?

Lee Rowley: There is a lot of work going on on this at the moment. We know that there are examples out there that are extraordinarily high. Like you, I have spoken to those who have been impacted by this. The Secretary of State asked the industry before Christmas to come up with an industry-led solution, and there is significant work under way with the industry at the moment, led by the ABI but with a substantial number of others involved.

I meet the industry—well, I have been meeting with the industry almost weekly recently—on a very regular basis, including at 3 o'clock this afternoon, to monitor the progress of that. We are still hoping, expecting and needing from the industry a positive outcome from the work that they are doing, which will be an industry-led solution, which hopefully will be able to bring these costs down.

There are different parts to this, which I am happy to go into should you wish, but ultimately the industry has given a signal that it is willing to do this, and we are very keen and very hopeful and expectant that something positive will come from the work it is doing shortly. Anything to add?

Richard Goodman: No, just to reiterate the Minister's point that the regulator has recommended action, and the industry is taking action, but we need to see the evidence from that before we can advise on where next.

Q69 **Andrew Lewer:** Does that sheer level of increase make the case for recompense from the insurance industry for wider building remediation more compelling?

Lee Rowley: The focus at the moment is on how we create a clear process. There is clearly something that has changed in this over the course of the last six years. While insurance goes up by inflation or near inflation irrespective of sectors, there is something that is not working here. Part of that is down to commissions, which are murky and which there looks to be poor behaviour on. The Secretary of State has said that there will be a change to that. Part of it is trying to get into the bowels of why these premiums are going up, which is the work of the ABI at the moment, and which I hope we will have an answer on shortly. I am happy to come back and talk about the broader questions in due course, but I want the ABI to focus on getting an industry-led solution that resolves this issue, or mitigates this issue, as soon as possible.

Q70 **Andrew Lewer:** There is something to go at with that broader issue. We have not been able to successfully achieve much sense of correlation between these vast premiums increases and vast increases in pay-outs to match them. Like you, as a free-market fan, I find that a bit of a concern.

In terms of specifics, rather than broader issues, does the Department accept that the difference in standards between the Building Safety Act and the contract, from an insurance perspective, is making insurers apprehensive in this area, in that buildings are only going to be remediated to a building-safe standard as opposed to a life-safe standard—protecting the property, not necessary the people in them, in terms of the impact of fires?

Lee Rowley: You are going to have some that are remediated to the CAN standard, because there some that were still going through that process before it was withdrawn. You are going to have some remediated to PAS 9980, which is the life-critical safety element that you are talking through. We would expect that both of those would be premiums down. We are working with the industry to both create the operational process to keep the premiums as low as possible in the first instance and then to see how these insurance premiums float down over the course of the remediation taking place.

From my conversations with the industry—anecdotal—representatives of the industry have told me that they can see that, where remediation has occurred, the cost curve of that insurance is coming down quite sharply for individual buildings. I do not want to draw absolute conclusions from that, but the indications are positive that there will be progress.

Richard Goodman: The life safety standard is an industry; it is one that we apply in the Government funds, it is one that we apply in the contracts, it is one the industry itself applies and it is one that is one the Fire Safety Act. As the Minister says, there are encouraging early signs as to what they may do to prices and risk, but obviously there is work for us to do with the insurers to make sure that that is fully understood and that the way the standard operates is understood as well.

Q71 **Andrew Lewer:** Given that there are some indications that you will get that result, pushing all this through as quickly as possible is important, and that is where a completely different element of the industry comes into play—the professional indemnity insurance for people doing this work. There seemed to be some good news from Government in terms of an early announcement about EWS1 inspection insurance indemnities, but then it turned out that, now that PAS 9980 is taking over and becoming more prevalent within the industry in terms of getting to the required safety level, the Department has not announced any professional indemnity cover for people doing the PAS checks rather than the EWS1 checks—I hope everyone is enjoying this at home. Is there any sign that there will be some movement to cover that element of inspections as well?

Richard Goodman: It is worth saying that the EWS1—I hope there are some technocratic enthusiasts watching.

Andrew Lewer: External wall system 1.

Richard Goodman: External wall system 1. The external wall system 1 form is now underpinned by the PAS 9980 methodology. The two talk to each other, and that is an amendment that RICS made to its guidance during the course of last year. EWS1 is, in a sense, a marking that comes out of the PAS methodology, rather than the other way around. That means that the EWS1 PII work is also effectively a way of getting your PII cover for a 9980. They are two sides of the same coin.

Stepping back from PII for a second, the low demand on that scheme is in many ways a success story of building confidence in the insurance market around standards, competence and professionalisation. We obviously monitor that closely.

In the context of the medium-rise scheme, we are developing a panel of PAS assessors to give us greater assurance about that consistency and competence in the level of qualification. If we see PII issues emerge there, that will tell us that we will need to revisit the work that insurers have done and that we have done through our own insurers to underwrite that.

I am sorry to labour this a bit further, but in the context of the PII market overall having hardened over the past 18 months to two years, there has also been some work within the scheme, within the building safety fund to create—we did some work with the International Underwriting Association—to create standard clauses that will give insurers confidence about the competence and professionalism of the people undertaking the work. There is more to do, but we take that as quite an encouraging sign as things currently stand.

Q72 **Andrew Lewer:** That new set of parameters, therefore, is a more effective way of dealing with this than simply saying, "PII that applied to

EWS1 should also apply to PAS 9980."

Richard Goodman: Yes, and it does, effectively, because people are still getting EWS1 assessments. Lloyd's has abolished those, but other people are still getting them. That is PII for your PAS 9980 assessment. They are one and the same thing. When a freeholder is undertaking that assessment, they have the EWS1 and they are effectively doing the PAS methodology as well, so it is two birds with one stone.

Q73 **Andrew Lewer:** You will hopefully get some sort of industry response from what we have just heard there to ensure that that potential anomaly is therefore not as prevalent or serious as it would first appear.

Finally from me—not on insurance, but on related matters—could you clarify what commitments the Department has obtained from mortgage lenders with regard to protecting leaseholders who have had their mortgages forfeited or repossessed?

Lee Rowley: Who have already had their mortgages forfeited or repossessed? That is not a conversation that has come up in my conversations with the big six or with UK Finance so far.

Richard Goodman: I am afraid I have not come across that.

Q74 **Andrew Lewer:** Given that there is some unsettlement about that, it is worth bringing it to your attention. Could I ask you to write to the Committee about that issue?

Lee Rowley: Yes. We are happy to take that up with UK Finance. If there are any examples that the Committee is aware of, I would welcome information about it.

Andrew Lewer: We will do that. Thanks very much.

Q75 **Chair:** Finally from us, you mentioned in earlier comments action the Secretary of State is considering against product suppliers that have supplied defective materials or materials where even a criminal issue may be involved and where, as a result, a prosecution may follow. When are we going to hear announcements about the action that is being taken against product suppliers?

Lee Rowley: I am not sure that I can answer with a specific date.

Richard Goodman: Obviously, the inquiry will reach its own view about the evidence that it has heard.

Q76 **Chair:** That is in Grenfell's case, but there is concern, generally speaking, about what has happened in other buildings and about whether products were fit for purpose and fit for the tests that were applied, and indeed about whether the tests were appropriate.

Richard Goodman: I am sorry, Chair, I misunderstood your question. In those instances, the first thing to say is that the regulator has already started taking action where it is seeing practice that does not look appropriate now; indeed, the Office for Product Safety and Standards issued a notice last year to a product manufacturer. Within the Act, we have created new causes for action against construction product manufacturers. I do not know yet of any litigation where that has transpired into a crystallised liability, but I also would not expect to know that at this stage, because there would be a pre-action period moving through.

What I can say is that I do know from conversations with developers that, where they have pursued contractors, contractors have in turn pursued others who have supplied materials and construction products in that chain of liability. We have qualitative evidence passed to us that those are biting, but we are keen to make sure that those provisions and the changes that were made to the Defective Premises Act are having the effect that we intended them to. If there are instances of somebody trying to pursue somebody, where they feel that there is a prima facie case and the legislation is not supporting them in that endeavour, we are very keen to learn about it to understand whether the Act is meeting the intention behind it.

Chair: Thank you very much for coming along and answering our questions so fully. We look forward to the details that you have agreed to supply in the very near future. That ends the session today.