



# Housing, Communities and Local Government Committee

## Oral evidence: Cladding Remediation - Follow-up, HC 1249

Monday 8 March 2021

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### [Watch the meeting](#)

Members present: Mr Clive Betts (Chair); Bob Blackman; Ian Byrne; Brendan Clarke-Smith; Florence Eshalomi; Ben Everitt; Rachel Hopkins; Ian Levy; Andrew Lewer; Mary Robinson; Mohammad Yasin.

Questions 63 - 149

### Witnesses

I: Lord Greenhalgh, Minister of State for Building Safety and Communities, Ministry of Housing, Communities and Local Government; Richard Goodman, Director-General, Building Safety, Grenfell & Net Zero, Ministry of Housing, Communities and Local Government.

### Examination of witnesses

Witnesses: Lord Greenhalgh and Richard Goodman.

**Chair:** Welcome, everyone, to this afternoon's session of the Housing, Communities and Local Government Select Committee. The Government recently made an announcement in Parliament about extra financial help to remove dangerous cladding from residential buildings. The money was available for those buildings 18 metres and above, but there was a loan scheme as well for buildings of a lower height, and other matters of detail. It is those matters of detail—how the scheme is going to work, what the loan scheme means in practice, and what is going to happen to housing owned by councils and housing associations—that we want to explore today with Lord Greenhalgh, the Minister of State for Building Safety and Communities. I will come on to Lord Greenhalgh in a minute and introduce him to answer questions for us. To begin with, however, I want the Committee to put on record any particular matters of interest that it may have with regard to this inquiry. I am a vice-president of the Local Government Association.

**Rachel Hopkins:** I am also a vice-president of the LGA and a councillor



until the 6 May election. I also employ a councillor.

**Mary Robinson:** I employ a councillor in my staff team.

**Ian Byrne:** I am still a sitting councillor in Liverpool.

**Brendan Clarke-Smith:** I employ a councillor in my office.

**Andrew Lewer:** I am a vice-president of the LGA.

**Bob Blackman:** I am a vice-president of the LGA and I employ a councillor in my staff team.

**Florence Eshalomi:** I am currently the Assembly Member for Lambeth and Southwark until the elections take place on 6 May.

**Ben Everitt:** I am still a councillor.

Q63 **Chair:** We just have one panel today. It is Lord Greenhalgh, as I say, the Minister of State for Building Safety and Communities, who has particular responsibility for cladding and related building safety issues. Minister, you are welcome once again to the Committee. Thank you very much for coming this afternoon. You have brought one of your officials with you, so if you could introduce your official at the beginning, that would be helpful as well.

**Lord Greenhalgh:** The official is Richard Goodman, who is the director-general responsible for building safety and the zero-carbon agenda.

Q64 **Chair:** Richard Goodman is welcome as well. Essentially, Minister, we will probably ask you the questions and, if you want to bring your official in to help with any particular answers, that is absolutely fine.

Can we just begin by having a look at the ACM cladding—the sort of cladding that was used on Grenfell Tower, which had that terrible tragedy nearly four years ago, when so many people lost their lives and many others and their families were so badly affected by that? The Government have said recently that 95% of all high-rise buildings with ACM cladding have either been remediated or that the work is on site currently, and 100% of social housing has either had their cladding taken off or work is on site. Another way of looking at it is that, nearly four years after the Grenfell disaster, half of the buildings with ACM cladding still have not had that cladding removed. Is that a satisfactory situation?

**Lord Greenhalgh:** Let us recognise that it is 95% of those buildings recognised at the beginning of the year where work is underway or the cladding has been removed. Of course, we would like to see things go faster, but let us recognise that we have been in the middle of a national emergency and a national pandemic. With a lot of progress being driven through pressure and enforcement action, we have seen 159 of those ACM buildings start on site in 2020, which compares very favourably with the previous year, where only 90 started on site. We have seen, essentially, an acceleration in the progress to remediate those very buildings that had the same cladding as on Grenfell Tower.

Q65 **Chair:** If we look back, we can see that the previous Secretary of State



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said that they expected that all ACM cladding would be removed by June 2020. I appreciate that commitment was made pre-pandemic, but in response to a previous report of this Committee, the Government said that they expected works on site for the removal of all unsafe cladding by the end of 2020, and that has not happened either. That commitment was made in the middle of the pandemic, so it was pretty well known. Can we be really confident now that all this cladding will be off during the course of this year?

**Lord Greenhalgh:** You pressed me on this point, Chair, in one of my many appearances before this Committee. I have had three in less than a year as a Minister. I came up with the ambition to get 100% on site or remediated, and we have hit close to that. We did not quite get there but it was an ambition, not a commitment. What I can say to the Committee is that we are tracking every single one of these buildings extremely carefully and, so far, our estimates are that we will be at around 87% of buildings that will have completed the remediation in total, and probably closer to 95% by quarter 1 next year. That is improving with every month that goes by. We are not currently on track to have remediated every single building, but we will be at around the 90% mark.

Q66 **Chair:** Is that satisfactory?

**Lord Greenhalgh:** We would love to go further, but it is not just a matter for MHCLG. It is working closely with other levels of Government. In London, we are seeing an acceleration. We had a building safety summit. We have had joint inspection teams step in. We work closely with local government. Any advice the Committee can give on how we can move more quickly, we will, of course, take on board, but these are hard yards.

Q67 **Chair:** Is it time to name and shame those organisations that are not getting on with it?

**Lord Greenhalgh:** We did name and shame. We have named every single building owner that has not got on with remediating ACM cladding, and we will continue to point to those people who are moving too slowly.

Q68 **Chair:** Do or should the Government have any powers to compel them?

**Lord Greenhalgh:** Clearly, there are powers that are vested in fire and rescue services. There are the Article 30 and 31 prohibition notices, but that means decanting residents, if they are in those buildings, so these are powers that should not be taken lightly. There are powers available, through the Housing Act and through fire and rescue services. The responsibility to keep a building safe rests with the building owner, and these powers do exist.

**Chair:** Yes, but I suppose that is a punishment to the occupiers.

**Lord Greenhalgh:** That is correct.

Q69 **Chair:** On the other hand, it could cost the building owners a lot of



money, if people had to be rehoused for any period of time.

**Lord Greenhalgh:** That is correct. We have, for instance, issued 18 improvement notices, eight hazard awareness notices and five prohibition orders in the course of getting as far as we have got, and we will continue to use those sanctions where we need to. Formal enforcement is part of the armamentarium and has been for about 58 of the buildings in the ACM bracket.

Q70 **Chair:** In terms of the money to get this ACM cladding off, I understand from the latest figures from the Department that, out of the £600 million, only £160 million has been allocated. Why is that?

**Lord Greenhalgh:** Sorry; could you repeat those figures again?

Q71 **Chair:** Sorry; this is for non-ACM cladding—my mistake. We just moved on slightly there. The ACM cladding was a £600 million fund. Then we had £1 billion for non-ACM cladding announced in the Budget last year, which has been subsequently added to. There have been 2,820 registrations for it, but only £160 million out of the £1 billion has yet been allocated. Is there any reason why it has been so slow?

**Lord Greenhalgh:** We recognise that, with the existing applications, we will have committed the initial £1 billion. We were warned of that some months ago, so we are on track to do that. There has been some issue around the quality of the information provided. In over 1,000 applications, there is no basic information to assess eligibility. A further 332 buildings, or 12%, have insufficient information to assess eligibility. One of the brakes on being able to put the funding agreements in place has been not having enough information, or no basic information at all in over 1,000.

Q72 **Chair:** There is still time for that information to be submitted now, because the fund has gone up in size.

**Lord Greenhalgh:** Yes, absolutely. The fund has gone up in size, so it is not a funding issue, but we do need to know that these buildings have unsafe cladding.

Q73 **Chair:** When the £1 billion fund was announced, it was first come, first served, but you indicated just now that the funding is not an issue; it is about having a proper bid put in. There is £3.5 billion there. Does the Department yet know, absolutely and for certain, how many buildings 18 metres or above have dangerous non-ACM cladding?

**Lord Greenhalgh:** We have some estimates, but perhaps I should bring Richard in precisely on the latest estimates that we hold as a Department.

**Richard Goodman:** We published, as part of the Bill impact assessment, an estimate of 15% of buildings over 18 metres having some form of façade issue that would need remediation. It is worth the Committee



knowing that we continue to look at those data sources, and we are looking at other surveys, but those are based on the actuals.

On the building safety fund, we have had just under 3,000 applications in total. As the Minister said, the best part of 1,500 of those have had no information or insufficient information for us to build an assessment. We are not yet in a position for me to be able to give you clarity about how many applications transfer into work that needs doing off the basis of decent information, because many of those applications have been insufficiently detailed for us to reach a view on. That is where we are on validating that estimate.

**Q74 Chair:** That is helpful. We can all appreciate the difficulties in trying to get more precision on the numbers of buildings and how much work may need to be done on them. What happens if that estimate of the number of buildings and the likely work is greater than the current figures you have in mind? Does that mean that the £3.5 billion would be extended? It is not first come, first served, but doing all the work necessary. If the figures go up when you find the requirement to remove non-ACM cladding, will extra money be found?

**Lord Greenhalgh:** As you know, as part of the announcement that the Secretary of State made, we are looking for the development industry to make a contribution through a tax and a levy. Of course, that will go towards the taxpayer commitment that is now in excess of £5 billion, but I am sure that, should there be a bit more money needed, there is scope to have those negotiations with Treasury to ensure that we keep our commitments.

**Q75 Chair:** Essentially, you will do what it takes to get this non-ACM cladding off these high-rise buildings.

**Lord Greenhalgh:** We have made the commitment as the Government that we will do what it takes.

**Chair:** That is really helpful. Rachel Hopkins is going to look at the slightly lower buildings that are not covered by the funding scheme

**Q76 Rachel Hopkins:** The Government have estimated that there are approximately 76,000 residential buildings between 11 metres and 18 metres in height. The Secretary of State, in his statement on 10 February, said, "The remediation of cladding is less likely to be needed; in many cases, it will not be needed at all, but where it is, costs can still be significant for leaseholders". What is the Government's assessment of how many of these buildings require remediation of cladding?

**Lord Greenhalgh:** The numbers of buildings between 11 metres and 18 metres is considerably greater, as you mentioned, at 76,000. We have not issued the funds, so I am not sure we have as detailed data on the extent to which remediation will be required in those buildings, but we made that commitment that, where it is required, leaseholders will not have to pay more than £50 a month. What I have is some further data



around the number of residents and dwellings that fall within that bracket, and the numbers that are freed from EWS1 requirements, but that does not really answer your specific question, so I am afraid I cannot tell you.

**Q77 Rachel Hopkins:** What I was getting at is whether you need to know this data. Is it not essential that you have this data in order to determine what your policy options are?

**Lord Greenhalgh:** We only know through the building safety fund the numbers for a lesser amount. We have made a commitment to ensure that people do not pay vast sums of money to remediate cladding, but we do not know the precise numbers. There is nothing more that I can say on that. Perhaps my official can give you more data than I have, if there are any data on the numbers within that bracket.

**Rachel Hopkins:** It is particularly about data used to formulate the policy.

**Richard Goodman:** You are correct in saying that there are about 76,000 buildings between 11 metres and 18 metres. On the basis of policy, the evidence that we have had from the surveys we have done so far has been supplied to us partially through the private sector. We have a contract with an expert architectural practice, which gives us information about what it has seen in terms of where building owners are doing the right thing and remediating this themselves, the sorts of issues that they have come across, and the types of costs that they might generate. It has also looked at the prevalence of cladding through a series of site surveys, which is work that is being undergone right now to improve the position of those numbers.

The starting position, as Lord Greenhalgh described, is that we assume the prevalence of cladding broadly to be, on a conservative basis, analogous in buildings between 11 metres and 18 metres as it is for buildings of 18 metres and above, but the likelihood is for remediation to be lower. It is just worth spending a moment to explain why that is and some of the focus on height. Fundamentally, it is about the ability to exit a building in time, as well as the nature of the cladding. The likelihood of needing to do remediation work on the cladding itself gets lower as you come down in height, whereas, in a higher building, you are much more likely to need to remove the cladding in its entirety or in very significant part.

**Q78 Rachel Hopkins:** Thank you for a little bit more clarity on that. Was it solely the height of the buildings that helped you make this decision, or were there other considerations for that distinction between above and below 18 metres? Was it solely height? Was there anything else that had to come into making that policy decision?

**Lord Greenhalgh:** We do recognise that height is a major factor, because all the independent expert advice has shown that residential buildings between 18 metres and 30 metres are four times more likely to





have a fire-related fatality or an individual requiring hospital treatment. Above 30 metres, that rises to 35 times more likely, so height is clearly a key determinant. The ability to come up with proportionate and different forms of remediation in medium-rise buildings becomes more of an option. We encourage all building owners to carry out and have an updated fire risk assessment, which will then provide the advice needed on how to make sure a building is made safe.

**Q79 Rachel Hopkins:** With the introduction of the new policies, can you give an outline of the assessment you have made of when every building above 11 metres, which was within the scope of the Government loans or the direct funding, will be fully remediated of dangerous cladding? You made some of these policy decisions, so what assessment has been made of when every building above 11 metres within the scope of your loans or the direct funding will be fully remediated of any dangerous cladding?

**Lord Greenhalgh:** At the moment, we cannot make that precise assessment of when those buildings will have been remediated. What we are providing is a financing facility to ensure that those works can progress. I am not sure we have got to the stage where we can say, "All those buildings will have been remediated by then", because clearly we are not approaching these medium-rises with the same policy approach. It is not directly grant-funded by the taxpayer; we are looking at a different approach. I cannot make that commitment.

**Q80 Rachel Hopkins:** I would have hoped that you had human safety at the forefront of all of these policy-making decisions, with the mind's eye on as soon as practicable, so I find it quite surprising that you do not even have a rough estimate, give or take the things that happen along the way, of when all buildings will be remediated. Is it open-ended?

**Lord Greenhalgh:** No. We are focusing on the high-rises, for the reason I have given you. We know that those buildings are being assessed. Funding has been granted to them, and more will be granted. The first wave of those go on site in September and the loan scheme is to follow, but I do not want to give you dates that I cannot give at the moment. For a start, we have not published the details of the loan scheme and how that is going to operate, so I am not in a position to give you any more timescales.

**Q81 Rachel Hopkins:** Once some of this further work has been done, would you be in a better position to give us a clearer understanding of when they will all be remediated?

**Lord Greenhalgh:** When we know more beyond the industry estimates of the prevalence and the absolute number that require remediation, we will be in a position to give more information to the Committee. At this stage, I cannot make something up on the hoof when we simply do not have the information.

**Q82 Rachel Hopkins:** It is a "don't know" answer to when all the buildings will be safe.



**Lord Greenhalgh:** We do not know at this stage, no. We have some assumptions, which you have had from my official, but we cannot extrapolate from that when all the buildings will be made safe. We cannot make that commitment at this time.

Q83 **Rachel Hopkins:** Can we press you to try to give us your best extrapolation as soon as possible? This is the concern of so many of us and so many of our constituents. I have spoken to people in this difficult position.

Just as a final point from me, we heard in an evidence session last week, from more than one witness, that, given the number of affected buildings and the lack of capacity in the construction industry, a sensible estimate of when this work will be completed was at least 10 years. Do you agree with that?

**Lord Greenhalgh:** What I would say is that we are working directly with the supply chain to anticipate and mitigate delivery risks. We have not come across those significant supply constraints that your witnesses provided. We are keen to ensure that there is a high-level pipeline of required work with contractors across England. We are engaging with the industry very closely to increase the availability of the installers needed to carry out the remediation. We have not seen the capacity constraints that you have described so far.

**Rachel Hopkins:** Two differences of opinion, but thank you for answering my questions.

**Chair:** It is not just cladding that can affect building safety, but there are other issues as well. Bob Blackman is going to explore those with you, Minister.

Q84 **Bob Blackman:** Thank you, Minister, for the answers you have given us so far. As Clive has quite rightly said, there are a number of concerns other than cladding—namely, fire safety in buildings. At the moment, as we understand it, the Government have not yet taken any action on ensuring that the safety concerns and defects that are identified are put right, particularly as we are in a position whereby many buildings have yet to be surveyed. Is that a fair summary of the position?

**Lord Greenhalgh:** You are right that we have made a choice to focus on what we consider to be the greatest risk to life safety, and that is the cladding system. We know that it is the cladding—and, in particular, aluminium composite material—spreading up the side of a building, and particularly a high-rise, that is the greatest life safety risk. That accelerates the spread of fire. Many of the things you are talking about—cavity barriers, internal compartmentation and fire breaks—are designed to stop the spread of fire. So far, the approach has been to focus on the area that provides the greatest life safety risk.

We recognise that there are other non-cladding safety issues that need to be looked into as well. What I would say is that the commitment from the Government does include cavity barriers and balconies, where they form





part of the external cladding system. Where the cladding system involves those elements, that will also be remediated.

Q85 **Bob Blackman:** So that we are clear, because there are some things circulating that suggest that this is not the case, unsafe balconies and such like on the walls of the buildings are covered by the scheme to remediate the cladding.

**Lord Greenhalgh:** That is correct—all those associated costs such as fire cavity barriers where they are integral to the cladding replacement.

Q86 **Bob Blackman:** Not the internals but the externals are what we are talking about funding. I do not want to put words in your mouth, but there has been genuine concern that some of these areas have been excluded, and there is genuine concern among many leaseholders that they are not going to get that funded and that they will have to pay for it. I want complete clarity for the record, if I can.

**Lord Greenhalgh:** Anything that is required in order to remediate unsafe cladding systems—and I have given an example of the associated costs, such as the fire cavity barriers that are integral to the cladding system, as well as balconies that are integral to the cladding system—will be covered by our funding. Our funding prospectus does make this clear.

Q87 **Bob Blackman:** I have heard different people making different claims, so I just want to make sure that we do not have incorrect information floating around, because it does not help anyone.

Just moving on to the other fire safety defects, in its evidence to us last week, ARMA said that it had surveyed more than 400 buildings above 18 metres in height, and estimated that the cost to fix the non-cladding defects was roughly the same as, or maybe even greater than, the cost of fixing the cladding. That has to be paid for somehow. Does it concern you that the estimates of the buildings so far are so high?

**Lord Greenhalgh:** It is concerning that we are seeing the scale of a problem like this. I have had a meeting with ARMA, so I am aware of its estimates, and it is helpful to get its perspective. We need to have that understanding. What I would equally say is that, given the scale of the issue, as a Government we have chosen to focus on the element that is the greatest contributor to life safety risk.

We have to recognise that there is no way you can make the argument that a missing cavity barrier or not having the proper internal compartmentation could, in any way, have possibly been in line with building regulations at any stage. That is quite clearly down to shoddy workmanship. What I would say is that there must be, in many cases, the ability to get redress from the people who carried out those works in such a poor manner.

Q88 **Bob Blackman:** ARMA has given us its view. Have the Government made any assessment yet of the number of buildings that have serious



fire safety defects?

**Lord Greenhalgh:** Yes, there is a data pack, and the official with the greatest grip on the exact data is Richard Goodman. I also need to know which numbers I can release and which I cannot, so over to Richard to provide you with the statistics.

**Richard Goodman:** We published an impact assessment on the draft Safety Bill that looked at the prevalence of those other defects, which gives estimates of those—for example, 3% on compartmentation in the 18-metre-plus stock.

Just coming back to your earlier question about the need to remediate some of those fire safety defects, it is important to draw a distinction between two things. The cost of remediating a defect is not necessarily the same as the cost of making a building safe or putting in place the relevant measures to be able to ensure that the building passes its fire risk assessment.

For instance, if you were looking at a compartmentation approach, the answer may not be to remediate the defect to the level that would be needed under the building regulations today; there may be alternative measures that would be appropriate, such as a different exit pathway from a building rather than, necessarily, intrusive work in order to fix the original defect.

That is why the premium on fire risk assessments is so important, because that gives you a view about the risk in the building from a fire safety professional, who can look at everything in the round and look at the things that are most important to be remediated, taking a risk-based, proportionate view, as opposed to, for instance, looking at the building regulations as they currently stand and identifying every defect with the building. That is an approach that will be familiar to everyone, for example, from having surveys done on structural problems, which anyone who has bought a home will be familiar with. Structural defects may or may not need remediation in order for you to have confidence in the building's overall structural integrity.

Q89 **Bob Blackman:** Yes, but just taking this further, the issue then is that, as Lord Greenhalgh quite rightly stated, if the building was built in line with existing regulations at the time, the developer or owner can quite rightly say, "We built it in line with those regulations". The latest regulations may have changed, and changed the goalposts. New buildings will, of course, be in line with those regulations and, if they are not, they clearly have to be remediated. The issue then becomes one of, if remediation is required to fix fire safety defects, who has to do it and at whose cost.

The clear concern is that, at the moment, the poor sucker in the middle is the leaseholder, because they are the ones saying, "I have this flat that has fire safety defects". The building developer has disappeared, never to



be seen again. The owner says, "We cannot afford to do it, or if we do, we are going to pass the costs on to you". That is the clear concern that is being exercised by leaseholders right now up and down the country. We are keen to establish what the Government's view is on what happens in those cases. Can you shed any light on what the position will be when a fire safety assessment is made on a building that requires remediation? I accept completely that there may be a risk assessment that says, "It is not in accordance with current regulations but you do not need to do anything". Where a fire assessment takes place that says, "You need to do something", how is that going to be funded and what action are the Government going to be taking to make sure that building owners carry out that work?

**Lord Greenhalgh:** My initial response to you before Richard came in was that the issues that are non-cladding-related are, very often, down to shoddy workmanship, and there should be a form of redress. The responsibility rests with the owner of the building to deal with those safety issues. What has been stated by my official is that often the remediation plan is the proportionate and sensible approach to mitigate risk. It is often not necessarily dealing with the inherent structural defect, but finding a workaround in order to ensure that you minimise any life safety risk.

I will give you an example. There was one building that was mentioned in one of my Q&As that I have with cladding groups, where there was no issue with the external cladding. It was perfectly in line with regulations, but there was an issue with a lack of internal compartmentation. The architect on the Q&A was pointing out that, if you went ahead and stripped the cladding to then deal with the internal compartmentation, you probably would get a bill of around £100,000 per leaseholder, but it makes absolutely no sense to go and do that. There are maybe more proportionate approaches, such as fitting a sprinkler system or dealing with other mitigations that would not mean that you pay anything like that quantum to deal with it, because of the nightmare of being able to do that particular kind of work.

What we encourage building owners to do, who are responsible for these historic fire safety issues, is to get an up-to-date fire risk assessment on the measures that they should carry out to sort the problem out. That is what we would advise.

Q90 **Bob Blackman:** Last September, the Government said that they accepted that "more safety issues will be identified and addressed in buildings, meaning that residents will be safer, but that there will be potential for one-off costs to leaseholders. That is why the Government provided £1.6 billion of funding for remediation of the most high-risk buildings, where the likelihood of value-affecting and expensive remediation work is far greater".

The issue then becomes the fire safety issues and where work has to be carried out. Clearly, that affects the value of a property, and I can point



you to properties now in my constituency where work is required and it affects the value of the property. It is not just the cladding but the other remediation after a fire assessment has taken place.

Do the Government accept that there is a need not necessarily for paying for this—I just want to be clear that I am not necessarily pursuing the idea that the taxpayer pays this—but for Government intervention to force the position whereby those responsible either pay for the work to be done or carry out the work themselves?

**Lord Greenhalgh:** Government at all levels can play a part in making sure that the developers that put up those buildings and allowed people to skimp on basic fire safety and structural safety issues, like a lack of internal compartmentation, have a duty to stump up. There is just no excuse for that sort of shoddy workmanship.

Q91 **Bob Blackman:** Finally from me—Ian may want to come in with some supplementary questions—there are issues that have emerged during the inquiry of materials being used in buildings that do not conform to the safety tests. There are allegations—I will put it no further than that—that some suppliers have cheated on the fire safety tests. Under those circumstances, what action are the Government going to take against those responsible?

**Lord Greenhalgh:** Some of the findings around the cladding product and insulation manufacturers are absolutely mindboggling. It is one of the reasons why we have created a new oversight for construction products that is now housed in the OPSS—the Office for Product Safety and Standards—within BEIS. The testing regime has, frankly, been abused, as you describe, which is why the Secretary of State last month announced a short expert review of product testing. It is quite clear that we need root-and-branch reform and better oversight.

What is more—this is not Government policy, and as a Minister I should not make it up on the hoof—a lot of these manufacturers have made very healthy profits and should be making their contribution to what is an enormous cost. At the moment, it is falling largely on the leaseholder. Sometimes there are building owners that are stepping up and doing the right things or getting remediation. It is time for those cladding manufacturers to make their contribution to funding this.

Q92 **Bob Blackman:** The position going forward with the new buildings is that the standards and the testing regime are going to be set out. The concern will be about substandard materials that have been used in existing buildings and need to be replaced. As a fire assessment is carried out, there will undoubtedly be recommendations to retrofit proper materials. The issue then is what action the Government will take against those individuals or firms that have provided the substandard materials. Can you shed any light on what the position will be? There will be thousands, if not millions, of people across the country now thinking, “What is going to happen when a fire assessment is carried out on my



building? Am I going to be landed with a huge bill as a result of people's shoddy workmanship or deliberate mistreatment of the position?"

**Lord Greenhalgh:** First of all, the new building safety regime is not just for new-builds; it is also for anything that is deemed to be within the high-risk category, so anything within scope. I would expect the new chief inspector of buildings to step in to ensure that we do pursue those avenues rigorously. My officials will also work with all layers of Government to ensure that, where there are people who have carried out that shoddy workmanship, we support the measures that are taken by building owners to get proper redress, so that it does not fall on leaseholders.

**Richard Goodman:** It is worth saying that the Secretary of State has announced the expansion of the scope of the existing regulator, which will have powers to take on existing products. As Lord Greenhalgh said, the safety case regime under the Building Safety Regulator will, in turn, look at the risk of a building. It is, of course, unknowable, in a sense, without doing that risk assessment work, what the risk is, but what we can say is that, going back to the answer I gave earlier, an awful lot of survey work and a lot of assessment through the building safety fund has been done to look at those individual cases and to assess the nature of the cladding there. The broader testing regime is something that will need to be picked up as part of that review.

Q93 **Ian Byrne:** Minister, the British Standards Institution has withdrawn its new guidance on fire risk assessment after a bereaved Grenfell family threatened legal action, saying it ignored critical inquiry recommendations relating to people with disabilities. The Local Government Association is also under pressure to withdraw its fire safety guidance, which is used by local authorities. What is your Department going to do to replace this guidance? When will you issue the promised consultation on personal emergency evacuation plans?

**Lord Greenhalgh:** You are referring to the measures that form part of the fire safety consultation that involves personal emergency evacuation plans. That consultation has closed but we did have to reconsult over PEEPs in order to get that right, which, as you say, is a very important part of the inquiry. We will be publishing that shortly. It is also contingent, because it will be the underpinning for the regulations of the new Fire Safety Bill to come into effect. The Fire Safety Bill is due to return to the Lords next week and is going through the ping-pong measures, but the regulations that would put that all into place will then follow some months afterwards.

Q94 **Ian Byrne:** You say ping-pong and following some months further down the line. What is going to replace the void in terms of guidance to local authorities now?

**Lord Greenhalgh:** We have the existing Fire Safety Order 2005. This was to clarify the remit and to consult on some of the inquiry



recommendations. The consultation response will be published before then. Some of that requires legislation, and that legislation is held up because it is going backwards and forwards between the Commons and the Lords.

**Chair:** Another important part of the Government's recent announcement was the loan scheme for properties immediately under 18 metres. Florence Eshalomi will pursue questions on that.

Q95 **Florence Eshalomi:** Over the last three years, Ministers have repeatedly claimed that leaseholders should not be forced to pay for any of the remediation costs. By looking at proposing and introducing a loan scheme, we could see leaseholders being charged, in effect, around £600 a year. A number of leaseholders have not received any funding during the last year and are paying for waking watches. Do you not think that these additional payments will just be another betrayal of that promise?

**Lord Greenhalgh:** Let us recognise that the Government have announced a globally—I must emphasise that—unprecedented amount of money towards the funding of these historic building safety defects. It was a number that, when I first came in, was only £600 million, and £1 billion was announced last year to take it up to £1.6 billion. This takes the amount of money that we are putting towards the remediation of unsafe cladding to over £5 billion.

The loan scheme will be heavily subsidised. We do not yet have an estimate of the total cost of that, but it will be considerable taxpayer support. We must remember that many of these taxpayers who have contributed to this funding are people who could never have the opportunity of owning their own home. It is tough, but we face an eye-watering bill to deal with historic building defects. We have tried to put that money towards those buildings that present the greatest life safety risk.

Q96 **Florence Eshalomi:** The greatest life safety risk is understandable in terms of 18 metres. You talked about the height threshold, but the fact is that remedial works are still required on buildings under 18 metres. Again, coming back to that cost that leaseholders are having to pick up through no fault of their own, should Government not be looking at providing additional funding where leaseholders are being forced to take out a loan to pay these additional charges?

**Lord Greenhalgh:** What I would say, as the Secretary of State made very clear when this was first announced in the House, is that this financing scheme is not with the individual leaseholder. It does not affect their credit rating. It is held at the building level. It ensures that the contribution by a resident leaseholder is no more than £50 a month. Of course, it is a contribution, but it is a small contribution to what will be the likely total cost of remediation. It makes sure that there is no up-front cost. What would be worse is if they required this remediation and there was no loan scheme or financing scheme in place, and they then





faced a large up-front cost with only 28 days to pay it. This is a way of ensuring that it is affordable to those leaseholders in medium-rise buildings where the remediation of unsafe cladding is required.

**Q97 Florence Eshalomi:** Just to come back on that £50-a-month cost, I represent an inner-London constituency in Vauxhall. I hope you will appreciate, Minister, that, for a number of leaseholders, that additional £50 will make or break them. It may seem like a small figure, but for people who have not received any funding, who have lost their jobs, and who, through no fault of their own, are trying to find money every month to pay increased insurance and waking-watch costs, £50 a month is a lot of money to be asking people to pay.

Just coming back to some of the issues around that, one of the things that we have been looking at is around what assessment the Government have made. You highlighted that the assessment would not be on the buildings, but has there been any assessment on the property values, if leaseholders have to take out one of these loans? Surely, there will be some issues with the valuation, and it could decrease if there is a loan attached.

**Lord Greenhalgh:** Many of these leaseholders are in buildings where we have seen values drop to zero, and so the remediation is part of ensuring that the value in their properties returns. It is a way of ensuring that they are safe and that the property asset returns to its previous value. Richard, perhaps you could come in on specific assessments around the loan scheme.

**Richard Goodman:** It is worth the Committee knowing that we set this in the context of the existing costs that leaseholders are having to pay, as you pointed out. For example, the average waking-watch payment could be in the region of £180. In that context, although I recognise the £50 is an imposition on that leaseholder, this remediation represents a net saving against the cost of some of the interim measures that individuals are having to pay.

The other impact of the £50 that we have looked at is the certainty that it gives leaseholders but also lenders about the overall nature of the liability that they might be facing. At the moment, as Mr Blackman was describing earlier, the potential range of bills that a leaseholder could face could be very varied, from quite a small bill to fix a small defect up to tens of thousands of pounds for a large one.

The importance of the cap is not just on the overall value, although, of course, £50 would be a lot of money to an awful lot of people. As the Minister said, it is less than the up-front cost and also allows a lender to price in, with some certainty, what the overall impact on the property value might be and on the affordability assessment for somebody who is seeking a mortgage. The effect of that, which we saw recognised by some of the lenders at the point at which the Secretary of State made the announcement, is designed to inject certainty back into the market, and



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to allow people buy and sell their homes again and the market to function more broadly.

The £50 is about the individual leaseholder but it is also about the broader effect on the market and helping the industry bring some of the prices that you were describing back down to a more sensible and proportionate set of outgoings for the leaseholders affected.

**Q98 Florence Eshalomi:** Just to clarify, consultations have been taking place with the regulators and the lending banks in terms of the effect of the scheme on valuation of existing mortgages on those affected buildings.

**Richard Goodman:** I can point you to some of the press releases. For example, Barclays and Nationwide both recognise this as being a decisive step forward for the market in terms of it being easier for lenders to be able to price what the potential impact on a property would be. I do not want to speak for lenders, but I am using statements that they put out at the time we made that announcement.

**Q99 Florence Eshalomi:** Has there been an impact assessment on the loan scheme and how this will be conducted, given the lack of data you have both highlighted for buildings below 18 metres?

**Lord Greenhalgh:** What Richard was stating is that we avoid any up-front cost, which would have a worse impact on leaseholders, and the works are required to ensure that there are no further interim safety or waking-watch costs. This will be considerably less than those costs to date. Just from the armchair, we can work out that this is a better deal for those leaseholders where cladding needs to be removed from those buildings than not stepping in at all. We know that this is a better outcome than that.

I know that what many on this Committee would be asking the taxpayer to do is to front all the costs, irrespective of height, but we are where we are, and we have made the choice around prioritising those buildings that present the greatest life safety risk and removing those materials that accelerate the spread of fire in those high-rises. We are providing a scheme here to support those leaseholders that will have to undertake remediation in the medium-rises with this loan scheme.

**Q100 Florence Eshalomi:** I will take that as a no; that there was no impact assessment. Did Michael Wade propose any additional solutions to the Government?

**Lord Greenhalgh:** Michael was focused on who pays. One of the things that he looked at was a financing scheme, and this is one of the proposals that we have taken forward. We have taken the broad thrust of his work and applied that to the solution that is before you.

**Q101 Bob Blackman:** I am not sure if you are going to be able to answer this at the moment, but when the Secretary of State made the announcement of this scheme, he stated that the details would be released by the



Chancellor in the Budget. I may have missed something, but I did not see any announcement of the details of this scheme. When will the full details be available? I am still at a loss to understand how what leaseholders are going to be asked to contribute is going to be calculated. The Secretary of State said no more than £50 and hoped that it would be considerably less and possibly as low as £20 a month, but the basis of this scheme is not clear. I just wonder when the details will be made available, so that we can scrutinise it and, indeed, leaseholders can have a look at it.

**Lord Greenhalgh:** That is a very fair follow-up question. I do not think it was the Secretary of State who made that commitment, but I believe that one of the Ministers did indicate that it would be in the Budget. Your eagle eyes have not missed any of the details in the Budget, but it is fair to say that it is something that a joint team of officials within MHCLG and Treasury are working on, and those details will be in short order. I cannot say any more than that, but it was never intended that they would be published in the Budget.

Q102 **Bob Blackman:** Are you able to give us any idea of the timescale? A lot of people are waiting to see this detail.

**Lord Greenhalgh:** I am being asked to comment on early-stage submissions. We are working this up and it is a very live project. I cannot give you a specific date by when it will be ready, although I am being shown something. I am being shown "soon", which is no more than what I said.

**Bob Blackman:** At least you did not say "spring", because we would be saying, "That extends to November".

**Lord Greenhalgh:** I am getting used to Whitehall and the seasons extending. That is why I do not want to give you a specific date. There is nothing more important than sorting out the details of this.

Q103 **Bob Blackman:** Very importantly from our perspective, the scheme is still being worked on, so you have established the principles but not the detail, and that will be released in due course.

**Lord Greenhalgh:** That is correct.

Q104 **Chair:** Although you do not have all the details ready yet, the Government have been very clear that the loan will not be a charge against individual properties and leaseholders; it will be on the building and the freeholder.

**Lord Greenhalgh:** That is correct. I have made that plain. It is at the building level, yes.

Q105 **Chair:** There are legal contracts in place currently, with the freeholder having the right to pass the costs of repairs through a service charge on to leaseholders. Are the Government going to cut across that current legal right for freeholders and legislate so that they cannot pass these costs on to leaseholders?



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**Lord Greenhalgh:** Again, I do not want to pre-empt that. We are aware that there are existing ways that the building owner can pass on these costs, but we will do what it takes to ensure that we land our policy intention, which is that the scheme caps costs at no more than £50. I do not know if Richard wants to say any more about that. Clearly, we are taking legal advice on these matters and are aware of the existing service charge arrangements.

**Richard Goodman:** I just wanted to make the point that we recognise the different nature of existing leasehold arrangements that span the different types of buildings, which could be affected. Part of the work we are doing in building up the details of the scheme is on how to ensure that the loan attaches on a per-building basis and to a leasehold, rather than to a leaseholder, for instance, through the service charge regime as a potential mechanism. We recognise the complexity of the landscape that you have just described.

Q106 **Chair:** This is a work in progress and you hope you can solve it. What happens, then, when a freeholder, which might be a small company that bought the property simply to get a ground rent out of and was not involved in the initial development at all, says, "Wait a minute. I am getting my ground rent. The ground rent does not cover anything like the costs of this loan that the Government are going to ask me to pay back. I am walking away. I will dissolve my company and leave it"? What are you going to do then?

**Lord Greenhalgh:** We are not asking the building owner to make a contribution towards the remediation costs. It is a taxpayer-subsidised loan scheme that ensures that the excess costs are borne by the taxpayer.

Q107 **Chair:** Wait a minute. It is a loan on the building. Who is paying the loan off?

**Lord Greenhalgh:** The details have not been published. What we are saying is that we loan the amount of money required at the building level, so it does not fall on the leaseholder. We ensure that the leaseholder makes no more than a £50 contribution. We are not saying that the remaining amount falls entirely on a freeholder that, as you say, might have a very limited equity interest in the building, because that may result in there not being the funding required to carry it out. My understanding is that it is a subsidised loan with a cap on what the leaseholders contribute.

Q108 **Chair:** At the rate that leaseholders are paying, it could be many years and decades before the loans are paid off.

**Lord Greenhalgh:** It is a long-term loan, but the works get paid up front, obviously.

Q109 **Chair:** I can see why you are still working out the details. It seems quite a challenging scheme, but no doubt we will get more information on that



in due course. In the end, it is not the freeholder that is going to be responsible for paying this loan.

**Lord Greenhalgh:** It is not falling on the freeholder and it is ensuring that the costs do not exceed £50 a month to the leaseholder.

Q110 **Chair:** Who is the debt with as a legal entity?

**Lord Greenhalgh:** I am talking about detail that has not yet been published. Richard, do you want to step in? My understanding is that it is at the building level and ensures that no more than £50 is passed on. The Government are providing that loan facility.

Q111 **Chair:** Who is the legal entity that holds the loan?

**Lord Greenhalgh:** Again, that needs to be published, but I am assuming it is the building owner.

Q112 **Chair:** That is the freeholder, so the freeholder is then responsible for the loan.

**Richard Goodman:** To come back to what the Minister was describing in terms of the functioning, we will set out details of how the financing scheme will work. What we have published so far, though, are the parameters in which we are working. As the Secretary of State said, the plan is to be a loan on a to-a-building basis. That is because we want the work to happen, so it needs to look at the building as a whole. We need to work through the mechanisms through which, for example, leaseholders are engaged in being able to make that decision. As you were saying, Chair, the nature of leaseholds can be very variable, depending on the type of building that you are operating in. For some leaseholders, that may be a straightforward operation; for others, it will be less straightforward.

One of the issues that will need to be worked through there is the legal framework that will apply to the nature of a loan in order to meet the other parameter, which is capping the liability of an individual leaseholding to £50 per month. Those are the details that we are working through at the moment. There are various options that could be pursued in terms of creating a scheme within those parameters, and that is what the Department will need to publish in due course, when we have set out which of those options we will work up.

Q113 **Chair:** At this stage, there is no certainty about where the legal liability for the loan will rest.

**Richard Goodman:** There are different options about how that liability structure could operate, which we will be testing, as the Minister was previously saying, in order to ensure that we understand the impact of that fully.

**Chair:** This is going to be a very big issue. Leaseholders want reassuring about where their obligations are and are not in this matter, but we are



going to have more details from you in due course and maybe we will want to explore those further at that time.

The issue of waking watches has been mentioned on a number of occasions, and Andrew Lewer wants to explore that.

**Q114 Andrew Lewer:** Minister, you were tasked by the Secretary of State to undertake a review of the ongoing costs of waking watches. We now have some data on this, which estimates that the relief fund will impact a maximum of 26,680 leaseholders. What help is there for the other leaseholders who, in London, are paying a mean average monthly waking-watch cost per dwelling of £499?

**Lord Greenhalgh:** We recognise that the bulk of the funding—the £5.1 billion—is focused on the measures that will mean that interim measures such as waking watch or any others are no longer required. That is where our focus is: to make sure that goes ahead. This £30 million supports a significant number of buildings to install a simultaneous evacuation alarm system, which is what the National Fire Chiefs Council recognise is a more sensible way of approaching interim measures. It will support that in anywhere between 300 and 460 buildings, so that is a chunk of the building. At the moment, no additional funding has been made available, because the focus is on providing the many billions needed to remove unsafe cladding.

**Q115 Andrew Lewer:** As you say, the £30 million will cover the installation of alarms in between 300 and 460 buildings, but there are 590 high-rise buildings in London alone, so it does not even cover that. Are you anticipating more funding coming?

**Lord Greenhalgh:** At the moment, that is the extent of the funding that we have committed. More than half the fund—£16 million—has been allocated to London, because it has been done on a proportionate basis. Within that estimate, we would estimate that 200 to 240 buildings would be funded through this particular fund, so that goes some way. In other buildings, it will be the pace of remediation and the funding of the cladding itself that obviates the need to have a 24-hour waking watch at all.

It is a combination of the two things that will, hopefully, make a dent in ensuring that leaseholders do not continue to pay really very extortionate costs around waking watch. One of the things that we carried out, which I requested, was to shine a spotlight on the levels of cost. It showed that there is great disparity in what leaseholders are paying. We have some published data now that, hopefully, will help people challenge where they have costs that look ridiculously high. It is an area where some of the procurement around this has not been first-rate.

**Q116 Andrew Lewer:** UK CAG welcomed that fund because it recognised the impacts that you have just been describing, and I am hearing from you that there are plans to do more, if necessary, so I will take that as an encouraging sign.





**Lord Greenhalgh:** We recognise that the most important thing is that these interim measures are a bridge that is required until we get these buildings safe. The most important thing is to have the funds in place that enable the cladding to be remediated, and then these measures are not required at all. We recognise that the £30 million goes some way but not all the way, but that is what is in place at the moment.

**Chair:** One of the other issues that has been raised as a concern for leaseholders is the cost of insurance that has been rising rapidly, in many cases. Brendan Clarke-Smith is going to pursue that issue.

Q117 **Brendan Clarke-Smith:** Minister, last September, in their response to our report on cladding remediation, the Government said that, in publishing the draft for the Building Safety Bill, they had “made it clear that it intends to address the insurance issues related to building safety”, including consideration of some of the challenges for high-rise residential buildings and what they are experiencing in terms of obtaining affordable building insurance cover. How have you addressed the building insurance issue since last September?

**Lord Greenhalgh:** This is something that is of considerable concern. First of all, I and my officials have recognised that there are only three ways in which you could approach a problem like this, and they get increasingly more difficult. The first thing that you can do with high levels of building insurance is to see whether there can be a market-based intervention. We are aware that there are moves afoot in the industry to look at some market-based solutions to building insurance that we are encouraging. The British Insurance Brokers’ Association has been looking at market intervention. That is one thing. That may not be enough.

The next tranche of interventions that we can look at are forms of indirect intervention. We need to recognise that the number of claims made for fires in high-rise buildings has been reducing quite a bit, so it is surprising to see sometimes what is up to a 1,000% increase against a background where the volumes are going down. We are looking at making the moral arguments and holding roundtables.

I am holding a roundtable later this week with the ABI, BIBA and cladding groups in attendance, to make the moral case for why, if the volume of claims is going down, building insurance is going up. We also note—I certainly had this feedback with cladding groups—that buildings that are owned in isolation sometimes seem to have the biggest increases, whereas buildings that form part of a group have lower insurance levels, because the insurance risk is pooled. We are seeing whether we can encourage the market, because there is a very strong reinsurance market, to see whether there can be pooling of insurance as well as a way of bringing down costs.

The last option open to Government, if the market intervention and indirect prods do not work, is to step in and bear some of the risk. The issue for the taxpayer is that, when you intervene in a marketplace, it is



easy to step in but not necessarily so easy to step back out again. We are keeping an eye on all these things. We are certainly pushing the various people involved with the market to take a much more proportionate approach to risk and explain themselves about why we are seeing some of these hikes.

**Q118 Brendan Clarke-Smith:** Leading on from what you just said there, Minister, ARMA conducted a survey of 143 of its members' buildings, which showed that the average annual premium increase per block for 2021 was 374%. 10% of those 143 blocks had increases in excess of 1,000%, and the highest increase provided was 1,840%. Following on from what you say, would you say that is evidence that the market is not working?

On top of that, as another side point I wonder if you could comment on, in terms of some of the requirements from insurers, where the London Fire Brigade have perhaps been satisfied that waking watches are not needed but insurers have still requested them, is that acceptable or is there something that we can do about that?

**Lord Greenhalgh:** I have heard about examples of that from the cladding groups where the fire service steps in. The LFB, for instance, in London has stepped in and said, "You do not require a waking watch", but it seems like the insurance company has had a different view. That is why we need to sit down with the insurers and make these points: that they take a proportionate approach to risk. There seem to be examples where that is not necessarily being followed.

**Q119 Brendan Clarke-Smith:** Another proposal that ARMA made to MHCLG is whereby any increase to building insurance premiums would be much lower in exchange for the Government accepting the risk on fire-related losses in excess of £250,000, which you touched on. Is this a way forward? What do you suggest is the alternative if this is not taken up? Would it be non-insured buildings?

**Lord Greenhalgh:** At the moment, we have very few examples of buildings that are completely without insurance. There are some difficult buildings where getting cover is proving problematic, but they are isolated numbers. What I suggested to you is that we need to pursue market-based solutions first, as well as indirect intervention, before we consider the more direct sort of solution that has been proposed by ARMA. Even by ARMA's own calculations, there is tens of millions of pounds' worth of taxpayer support, so we need to just check whether we can get to the same place through more indirect and market-based solutions in the first instance.

**Q120 Ben Everitt:** Minister, my ears pricked up earlier when you referred to the profits made in the construction and development sector throughout the course of the last few years. Indeed, this year has been no different. Last year, this Committee said that the "funding of remediation should reflect where the blame lies". Of course, we have noted that proposal



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that Government have to bring in the levy, which would, hopefully, bring in over £2 billion over two years. Given that the likely costs that we have heard of remediating all the buildings is probably going to come to about £15 billion, should we not have set that a bit higher?

**Lord Greenhalgh:** We need to recognise the sources of funding from the developer community. You are right: my information is that volume developers' pre-pandemic margins have increased somewhat, from 13% before tax to closer to 20%, and it is right that they contribute to this. The proposed developer tax is to raise £2 billion over 10 years. In addition, the Secretary of State announced the Gateway 2 levy, which would be part of the new building safety regime, so that is an addition and is for new high-rises before construction. That will be further money.

We also need to recognise that we are putting considerable pressure on the developer community to go further. There have been public announcements now by a number of the developers that are setting aside significant amounts in addition to the developer tax and the proposed Gateway 2 levy. Taylor Wimpey has committed £175 million, Persimmon £75 million, and others have also committed many tens of millions, so we are also looking from that route.

I also mentioned that, although this is not yet policy, we should also seek contributions from the manufacturers of the very products that were put on Grenfell and have been used inappropriately, where product-testing has been gamed. There is an opportunity to develop policy to raise further funds.

You cannot come with one silver bullet or windfall tax, because, quite honestly, in a global environment, with global markets, you will not necessarily collect any of it. All you do is shut down an industry. We do need new homes and to get the balance right, and we are seeking a number of routes to get the contribution from the people who have played a significant part in the crisis that we are facing.

Q121 **Ben Everitt:** That all sounds sensible to me. There is no one silver bullet and no one way of solving this, because, if there was, we would have done it. The nature of this problem is that it is complicated. You brought up Taylor Wimpey there, and it is great that it announced its £125 million remediation fund, but the point that is being made, certainly by some of the respondents that we have had, is that the pre-pandemic slump in profits has meant that Taylor Wimpey made only £264 million in 2020. Of course, that is leading to an annual dividend of £151 million, which is £25 million more than the amount that they have put aside for remediation.

You can see where the optics are on this, and there is an argument that there is a bit more in the pot to be exploited from the Government's side. I do take your point that we do not want to scare the developers off and we do want to build more houses, but is there not a bit more that the Government can do to squeeze a little more capital out there to solve this problem, and then move on from a safer baseline?



**Lord Greenhalgh:** First of all, I got my figures wrong. You are right: I said £175 million, but I do not want to scare Taylor Wimpey plc: it was £125 million. In addition, we need to recognise that is on top of the £40 million that it committed towards ACM remediation, so I was not far off the totality. We just have to continue to push developers to do the right thing as we remediate the non-ACM buildings, encouraging them to step forward where they have put up buildings with unsafe cladding, to remediate those amounts in high-rises, and to deal with the shoddy workmanship.

We were being asked about how that is going to be funded. It is important that those developers that are responsible for buildings that have cladding defects and non-cladding building safety defects step up and pay more. That will be in addition to the levy and tax that I have outlined. You could always set it higher. It is a judgment, but it is one where we need to recognise the important role that developers play in building the homes of the future, given that we do need more housing, but they also have a responsibility to contribute to resolving this cladding crisis.

Q122 **Ben Everitt:** Yes, I agree. On the point that you made in the answer to my first question about making sure that we get these homes built, will the new tax on profits in the residential property development sector be a pure tax on profit on new-builds?

**Lord Greenhalgh:** Again, on the developer tax, I cannot, unfortunately, give you more details than that the Treasury is working with my Department on the specifics of the developer tax. That is looking at a tax on profits as opposed to a levy in order to build, so that is my understanding. A group has been established, and more details will be announced on that, so I cannot really pre-empt that.

Q123 **Ben Everitt:** I guess that you have already answered my follow-up, which is about whether we are worried that the costs are going to get passed down to leaseholders or new buyers. Throughout this inquiry, we have constantly worried, questioned and probed about the passing on of costs to the folk who live in the buildings. Is this something that you can give us some degree of certainty on in terms of it being dealt with during the policymaking process for these two new ways of retrieving some of the revenue?

**Lord Greenhalgh:** In large part, the reason why we had this unprecedented amount of money—over £5 billion—committed towards the remediation of unsafe cladding is precisely to do that. It is to cushion this not falling on the shareholders of leaseholders wherever possible, recognising that they are victims in this. They bought their buildings in good faith, and we are stepping forward and remediating that entirely at the taxpayers' expense in high-rises. We are capping the exposure to £50 in medium-rises. We then have to push down and bear down on the developers responsible for those defects to also step in, where possible,



to minimise that eventuality, because we do not want that falling on leaseholders. That is why we are doing what we are doing, essentially.

Also, on leaseholders in the social sector, it is important to say that one of the provisos of the fund is that, where a social landlord is intending to bill a leaseholder for the remediation of a cladding system, the funds are open to those social landlords to apply for in order to avoid that happening. It is there to protect the leaseholders. That is the purpose of the Government intervention.

**Q124 Ben Everitt:** I am sure that anybody listening in to this will be well onside. You mentioned that the purpose was pushdown on to the developers to make sure that they take responsibility. It is industry-wide, though. There are more players in this complex problem than the developers that bear some responsibility. Are we confident that we are making sure that the net is cast wide and that nobody is getting away without shouldering some of the burden of taking responsibility for making it right?

**Lord Greenhalgh:** You are right, but I have spent enough time now in this job to know that the developers have done very well out of this. We mentioned the profit estimates, and you have quoted some figures as well. We also know that the people in the construction of these buildings are often operating on wafer-thin margins of 1% to 3%. They are cash-flow businesses. Equally, my officials use a practice to get data on margins and they do know that some of the construction product manufacturers are making very healthy profits too. Although they are not within the net at the moment, they are potentially an area where we could spread the net wider to make a contribution to what is an eye-watering sum of money in order to pay for all of this.

**Ben Everitt:** Spreading the net wider would definitely be more helpful. Just before I hand back to the Chair, we should do one of those BBC-style disclaimers that not all developers are bad. Not everybody in the industry bears some responsibility, although there are plenty of people who do. Of course, the Minister mentioned Taylor Wimpey there and there are definitely other developers who have made profits, and a £125 million remediation fund being put aside is very welcome.

**Chair:** I am sure we will want to follow some of those issues up about product manufacturers in due course as well.

**Q125 Mary Robinson:** I just want to explore the effect of all of this on the wider housing market. The Secretary of State said in his statement that he expected the interventions, including on EWS1 forms, to provide confidence to lenders, which he said would "restore the effective lending, purchasing and selling of properties as soon as possible". Our witnesses last week did not recognise that this issue was resolved, and suggested that the negative impact is already being felt by the housing market. Do you agree with that assessment?



**Lord Greenhalgh:** Specifically with EWS1, there has not necessarily been a proportionate approach to risk, and that is why we issued the clarification to the consolidated advice note that was first issued in 2020. It is also why RICS, which provides the guidance used by valuers, started its consultation at the back end of last year. That closed and the results of that were announced and published today, in fact.

All of those moves mean that close to 500,000 leaseholders in these buildings do not require an EWS1, so that goes a significant way to ensuring that the EWS1 is used in those buildings where it is required. We have some ridiculous examples of thatched cottages suddenly requiring an EWS1. The RICS guidance is very clear that buildings under four storeys really should not require an EWS1 at all. Those buildings between four and six storeys, where the majority of the façade is covered in an external wall system, may require an EWS1. If they have some of the volatile cladding systems similar to or the same as Grenfell, it may be required in medium-rises, but a large number will not. The message today from the banks has been very encouraging: that they feel that provides a framework for their valuers and certainty for the market.

Q126 **Mary Robinson:** Do the Government have an estimate of how many homeowners have been impacted by these issues, particularly with regard to EWS1 forms?

**Lord Greenhalgh:** As I mentioned, it impacts positively close to 500,000, but it is probably for Richard to come in and give you the detail on the specific numbers.

**Richard Goodman:** There are around 1.27 million leasehold flats in buildings above 11 metres. As the Minister says, we estimate about 500,000 of those will be taken out of the scope of the EWS1 process overall. It is worth saying on this front that that sets a reduced scope for the number of people who need an EWS1 form. The guidance is also designed by RICS to be clearer than some of the existing guidance was, which we know injected a degree of uncertainty into the process. This intervention is designed to give a more proportionate, risk-based and clearer guidance framework to the market, which should introduce some stability and clarity on that front. As the Minister said, it has been welcomed so far by the lenders. EWS1 is, of course, a lending process, rather than a Government process.

It is worth saying as well that we have also recognised the challenges that people have had in terms of getting an EWS1 assessment, where that is required by the lender, and we have been working with RICS to put money into a training scheme for 2,000 assessors in order to increase the ease of getting an EWS1 form where it is required. It is a case of both narrowing the scope and making the process itself easier to navigate.

**Lord Greenhalgh:** That is an important point. It is both reducing the demand and requirement for an EWS1 as well as increasing the supply of





those professionals who can then carry out the assessment in a timely manner.

Q127 **Mary Robinson:** For the 500,000 people who are taken out of it, that is good news, but it still leaves almost 800,000 who would be in need of this form and still goes to the whole question of the detriment that could be felt by them and the wider housing market. Is the Ministry, therefore, responsible for making an assessment on the wider impact of the issue and wider cladding issues on the housing market? If not, who is?

**Lord Greenhalgh:** The first thing is that you mentioned the quantum of leaseholders who may require an EWS1, but the number of buildings in scope is considerably less, because you need only one EWS1 for the building. There is a portal where these EWS1 assessments can be made available, so that, once it has been carried out once, you do not repeat the process unnecessarily.

It is important that we work with the professional institutions. The role of Government is to encourage a proportionate approach to risk and that we do not see some of the things that we have seen up to now, where an EWS1 requirement seems wholly illogical and something that was merely a barrier to someone being able to sell or move on. This is good news and we have had very positive reactions from the lenders that, where they are required, there are going to be the professionals who can carry that out very quickly. It should just be a formality in many cases.

Q128 **Mary Robinson:** With regard to the wider impact on the housing market, is this an issue that your Department should be making an assessment of, or does it lay elsewhere?

**Lord Greenhalgh:** We have made an assessment, in the sense that we have a plan. There are three elements to the plan. One is working with insurers and encouraging lenders to be proportionate to risk and to reduce the demand. We are working with RICS, which carried out this consultation. The Secretary of State and I have had many meetings with the RICS leadership about this, but it is their consultation and their findings. It is absolutely right that it is professionally led.

The second thing is that we step up and fund a scheme to increase supply. The third element is that there have been some issues around professional indemnity insurance being available to some of the people who carry out the EWS1 survey, and stepping in and ensuring that they have access to professional indemnity insurance.

Essentially, the assessment is that, yes, there is a problem, and the approach has been to restrict demand, increase supply and ensure insurance cover, so that these important reports, where needed, can be carried out.

Q129 **Mary Robinson:** The media reported in the last month that more than a million homeowners have been left unable to sell or re-mortgage, and tens of thousands of sales are thought to have fallen through. Are those



figures that you recognise?

**Lord Greenhalgh:** They are figures that I recognise as having been put into the media. Richard, you may want to comment on the specifics. Some of these figures that talked about millions may be somewhat of an overestimate. Do you want to come in with our view on this?

**Richard Goodman:** Certainly, the estimate of millions does not align with our estimates of the overall size of the market, which, as I described, is about 1.3 million leasehold dwellings in total in buildings 11 metres or higher.

In terms of individual lending decisions and data, that is the responsibility of the banks that own that overall market study. The Minister pointed to the reaction of some of the lenders to the announcement that we made.

It is worth pausing briefly. Beyond the EWS1 process, the root cause of the anxiety in the market is the anxiety about the need to remediate itself. To come back to the Committee's earlier questions, the important thing is to get a fire risk assessment to put that issue to bed and provide certainty for leaseholders about whether they have a problem that needs remediating or not, but it is also to ensure that the guidance itself is proportionate and risk-based. The lenders' approach to that guidance will be as material as the guidance itself in terms of what the impact will be on freeholders and leaseholders, but what they have described so far is a significant shift in the way they can approach lending decisions.

Of course, the impact of the £50 cap and the increased grant funding for 18-metres-plus is that it allows lenders to price the cost of finding an issue that needs remediation, notwithstanding how they go about establishing whether something needs fixing, and therefore it puts certainty back into the market and enables it to price the impairment on an asset or the impact on somebody's affordability. What I am really saying is that the remediation funding approach also provides certainty, notwithstanding the fact that we are also working with RICS and others to issue clearer guidance that is proportionate and risk-based.

**Chair:** We will now move on to the details of the £3.5 billion fund that was announced.

Q130 **Ian Byrne:** Minister, the fund requires that, where there are both cladding and non-cladding issues, funds need to be in place for the non-cladding works before any building safety fund money will be disbursed for cladding issues. What happens where leaseholders do not have the money to pay for the non-cladding works?

**Lord Greenhalgh:** There is some confusion about this, because essentially the works can be scoped to be something that is entirely funded by a grant. If you focus on the remediation of the cladding system and everything that is integral to the cladding system, that is funded by grant. Therefore, there should not be any issue. If a building owner chooses to scope beyond that, to something with associated works, then



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clearly we need to ensure that funding is in place. That is a matter for the building owner.

What we are saying is that we cannot be asked to cover the costs of something that is outside the scope of the fund. You can scope it in a way that avoids that problem. Perhaps, Richard, you could come in with any other points on that.

**Richard Goodman:** I am happy to, Minister. It might be helpful to refer back to the question Mr Blackman was asking earlier about what is included in the fund and what is not. Let us take balconies, for instance. Where those are integral to the external cladding system, those will be caught within the scope of the fund and we will pay for them. Where they are not integral to the cladding system, leaseholders may want to include work on them in order to do it in one shot so you are not effectively redoing intrusive work in a building several times over. For example, the project management might be done by the same people; the procurement approach and the work that would be caught in the tender might be the same; or the resident engagement process might overlap between those two things. Before we commit to that, the fund ensures that we have the assurance that that work can be funded, so that the taxpayer does not end up with a liability for work that is not within the scope of funds that Parliament voted to allocate to that purpose.

Q131 **Ian Byrne:** I am sorry, Richard. I am taking about leaseholders, not taxpayers. What happens when leaseholders do not have the money to pay for non-cladding works? I have not heard that from you or the Minister. That is the question. What is the answer?

**Richard Goodman:** If I understood your question correctly, which I might not have done, you were asking about the way in which the building safety fund operates for funding. I am saying that scope is aligned to the existing building safety fund. Where leaseholders elect to take on other work in addition to what is funded by the building safety fund, we ask for confirmation that they are in a position to be able to pay for that before we start, because we wrap the overall work into one package.

If we did not do that, it would mean that the taxpayer would pick up the liability for that if there were not the funds in place. What it does not require is for leaseholders to elect to do any work other than what is in scope. If, for example, leaseholders only want to do the work that is paid for in full by the grant funding, there is no obligation for them to take on other work or to stump up for other work in relation to that as a consequence of applying to the building safety fund.

Q132 **Ian Byrne:** UK CAG say that this clause is holding the innocent victims of the building safety crisis to ransom and excluding eligible buildings from the fund. What is the purpose of the clause? Is it, as Richard was outlining, to save the taxpayer money? I am all ears, Minister



**Lord Greenhalgh:** The direct answer in this case is that the clause is there should the leaseholders elect to increase the scope and go beyond the remediation of the cladding system. That is a matter for them to decide.

Q133 **Ian Byrne:** Minister, is the scope not about making the building safe? Is this what we are talking about?

**Lord Greenhalgh:** Again, when you put public money to something, it is quite clear that you have to be clear about its remit. It has to be disbursed for that purpose. This is to ensure that it is put to work on the thing it is designed to do. As my official just said in response to you, if leaseholders elect to widen the scope, they will be responsible for those costs that are not integral to the cladding system. That is the basis upon which Parliament and this Government have made the funding available. It is to stick to those rules.

Q134 **Ian Byrne:** Have we set the remit too narrow?

**Lord Greenhalgh:** We are going back to scope, then. The scope has been designed to focus on the areas of greatest life safety risk, which is the cladding system that accelerates the spread of fire. As my official has also said, it covers those elements such as cavity barriers and balconies that are integral to the remediation of that cladding system. Beyond that, it is a matter for leaseholders to decide whether they want to expand the scope. They are not being forced to; it is an opt-in. They are not being compelled to do that.

Q135 **Ian Byrne:** I will move on. There are lots of grey areas, as has been outlined by the previous nine questions. Minister, will the money raised through the levy and the new tax be additional to the fund and therefore contribute to building safety, or are the Treasury demanding that any monies raised through those routes are offset against the £3.5 billion?

**Lord Greenhalgh:** At the moment, as we have said in all the previous questions, the details around this have not been finalised. My understanding is that we will be seeking to contribute towards the cost of paying for the cladding remediation. It is not necessarily going to be extra, but, as I said in response to the Chair's remarks, where we are running out of money and where there may not be enough money, there may be some flexibility. All of that is a matter for negotiation between MHCLG and Treasury.

Q136 **Ian Byrne:** Lastly, the Secretary of State has said that he is following a safety-led approach with funding, focusing on high-rise buildings. It is increasingly accepted that height alone is an insufficient criterion for safety. Should a more advanced understanding and assessment of risk be used to underpin funding as opposed to first come, first served, which is unfair?

**Lord Greenhalgh:** The Secretary of State is right that we would want to see that approach. I am the son of a surgeon, and surgeons are used to a



risk-based approach to save lives. You focus on the things that really matter. The reality is that there has not been a sophisticated ability to stratify risk in place up to now.

The good news is that the experts, the fire engineers, the people who are experts in fire safety, are developing that approach. It is known as a PAS, or publicly available specification. In several months' time, they will be able to start the process of consultation. We will be able to take an approach that categorises buildings in terms of being high, medium or low risk.

It is also fair to say that we are conscious that we need to take a risk-based approach to the wider built environment, and that is why we have put in around £30 million for fire and rescue services to carry out a building risk review, looking at the risk profile of all high-rise buildings across the country, not just those that potentially have unsafe cladding, because there are other factors that may increase risk.

Q137 **Chair:** Just to clarify, Minister, if a building has unsafe cladding and also unsafe insulation, the fund will pay for the removal of the insulation as well.

**Lord Greenhalgh:** My understanding is it is where something is integral to the cladding system. If the insulation is integral to the cladding system, it would be covered. That is the answer.

**Richard Goodman:** That is the test. The building safety prospectus sets this out in some detail. We would be happy to write to the Committee if that is helpful. Lord Greenhalgh is correct. "Integral" is the word. It is tied to the cladding system. That often involves work on insulation, cavity barriers or sockets and fixtures.

Q138 **Chair:** Insulation does not need to be integrated into the cladding, does it? You can have insulation and cladding that are not necessarily integrated, in which case it will not be paid for. Is that right?

**Richard Goodman:** That is correct

**Lord Greenhalgh:** Yes.

**Chair:** There are going to be interesting anomalies that are thrown up when practical examples are looked at.

**Richard Goodman:** That is of course based on the experience of the existing building safety fund, where we have taken applications through, rather than a novel way of approaching it.

Q139 **Chair:** Realistically, you would not put the scaffolding up, would you, to take unsafe cladding off and then not take unsafe insulation off? Then we are back to the problem about what happens if the leaseholders cannot afford to pay for that, because it is not covered because it is not integral. That is a problem, is it not?



**Lord Greenhalgh:** You have the answer to the question about how we are applying a considerable amount of grant and the determiner about whether it is or is not covered. It is set out in the prospectus. There will be some anomalies—of course there will be—but there is a finite sum of money that we have towards solving a very considerable problem.

**Chair:** We may return to that point, but at least it has explained it a little better.

Q140 **Bob Blackman:** Thank you, Minister. When the announcement was made in the Budget last year, last spring, the Chancellor said that the scheme would ensure that all unsafe combustible cladding will be removed from every private and social residential building above 18 metres high; that is fine. The building safety fund that was set up restricted the funding to social housing providers unless “remediation costs threaten the financial ability or viability of the provider”. Can we just be clear on why social housing providers were excluded in this particular way?

**Lord Greenhalgh:** We recognised that they would have a duty to remediate and not pass on the costs to the leaseholders where they have the financial heft to be able to step up and do what we are asking developers, in many cases, to do. As you will remember, in over 50% of cases private developers stepped forward and stumped up the costs of remediation themselves without passing those on or requiring grant.

Equally, we want G15 members with very healthy balance sheets to step forward and remediate the buildings they are responsible for in the same way we ask private building owners to do. Where they are facing problems, and equally where councils might fall into an HRA deficit, we will step in. All of these funding avenues are open to them in that case.

Q141 **Bob Blackman:** How is the assessment being made on financial viability?

**Lord Greenhalgh:** At the moment it is by application. We are seeing a number of social landlords apply to the building safety fund for various different reasons. Those are being assessed on the parameters set out in the prospectus, as outlined.

Q142 **Bob Blackman:** When the LGA and the National Housing Federation gave evidence to us, they said that, if they were forced to pay for remediation works, they will reduce the other maintenance works and cut back on building social housing. That seems to be the outcome that is happening.

**Lord Greenhalgh:** Like everybody, neither I nor the Secretary of State is hiding behind the fact that this will be difficult for those businesses. They will have choices to make around their commitment to deal with all kinds of challenges alongside building safety, such as the zero-carbon challenge that my official is responsible for and the ability to build more housing.

It has to be said that we have made available £12 billion for the building of more affordable housing. That is the grant funding that social landlords





can access to build new social and affordable housing. It is tough. Equally, the reason we have agreed the terms as such is because we do not want that to fall on leaseholders because they happen to be in a social block as opposed to a private block. We wanted the same protections for leaseholders, and that is the consistency we are able to provide with a scheme that protects them from having those costs passed on by RSLs or councils.

**Q143 Bob Blackman:** One of the issues here is that tenants or leaseholders may end up either getting a reduced service or potentially being charged extra money.

**Lord Greenhalgh:** You and I have both been in councils and understand the public sector well enough. Unlike business, they pretty much separate capital projects like this from ongoing revenue. They will have a capital and a revenue way of accounting for funds. I can imagine that the biggest risk is around capital investment in new-build. That is probably the biggest single risk.

Equally, if you are going to put scaffolding up a building, if you are going to remove an external wall system, it does actually give you opportunities for greater synergies around the zero-carbon agenda. That is one of the potential gains. We all know that you get very irritated if you put the scaffolding up the side of a property you own, fix one problem and then discover, six months later, you need the scaffolding up again. There are opportunities for synergies when they undertake particular capital works. It is the capital side that is probably going to be slightly more problematic, rather than suddenly seeing deteriorating services to their social tenants and leaseholders.

**Q144 Chair:** Is that totally true? Capital will be used for new-build, and it is clearly a worry that we will see fewer social houses built in the future by councils and housing associations. It is also often used for restoration and refurbishment of social housing. Capital reserves will be used to fund an upgrade under the decent homes programme.

**Lord Greenhalgh:** I was not denying that. I am saying that a capital programme can be designed to remediate. It can also be used to carry out refurbishment and improvement. That was the point that I was making, but it is capital as opposed to revenue. The point Bob Blackman was making was about whether this would result in reduced service levels to tenants. That is less of a risk; it is more that there would be an impact on the capital programme.

**Q145 Chair:** Yes, but a reduced service to tenants could well be not getting their kitchen, bathroom or central heating upgraded, which would all be capital spending. Is it fair that in the same block a leaseholder who has bought their property off the council is going to be supported by the Government and the work on their property effectively funded by the Government but next door the tenant will see their possibility of a new kitchen, bathroom or central heating taken away? Tenants are being



discriminated against compared to the leaseholders, are they not?

**Lord Greenhalgh:** The reverse is true in terms of discrimination. It would be discriminatory if a block was being remediated and the social tenant did not have to make a contribution and the leaseholder would have to make a contribution towards the work. It is ensuring that all residents in that building have a situation where the remediation is carried out without the cost being passed on to them. That is what we are seeking to achieve.

Q146 **Chair:** Passing on does not necessarily mean increasing rents. It can mean taking away future benefits or future improvements, such as the kitchen, bathroom or central heating, because the capital will not be available. There has to be some impact if you make social landlords pay this cost. They have to stop doing something else, do they not? I do not know whether the Government have done an impact assessment on what stopping doing something else will actually mean.

**Lord Greenhalgh:** Again, we are seeking to avoid the invidious situation where one resident in a building is forced to pay something and another resident is not. That is what this achieves. Equally, I take your point: it is going to be tough for a social landlord or a council to prioritise what they need to do when they also have these remediation costs. It is something that faces everybody with this crisis. The £5 billion is being accessed by many registered social landlords, where they would otherwise be passing those costs on to leaseholders. That is a sensible and the right approach.

Q147 **Chair:** I understand about not passing the costs on to leaseholders. The Committee absolutely shares that objective. It is about whether not passing them on to the leaseholders in the same block is actually taking away possible future benefits from tenants because the money is going to have to be spent on cladding removal.

**Lord Greenhalgh:** Even in the way you have stated it, it is a hypothetical. We have to work to ensure that hypothetical does not come to pass.

Q148 **Chair:** Has an impact assessment been done on the future provision of new homes or extended maintenance by social landlords as a result of having to bear cladding removal costs?

**Lord Greenhalgh:** Richard, do you want to come in on the impact assessment for social landlords?

**Richard Goodman:** We have obviously not published an impact assessment on the impact on social landlords. That is partially because individual social landlords will make their own choices about what they need to remediate. It is worth saying that we are holding social landlords to the same standard we have asked freehold landlords to work to, which is that their first priority should be safety. Any landlord's first priority should be safety and to work on that remediation first. The extent of the



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total capital outlay for social landlords, for instance, will vary according to the particular survey of their building.

Q149 **Chair:** Minister, thank you very much for answering all our questions today. It is clearly a very important issue to many people. I wonder whether you wake up in the morning, scratch your head and wonder how, having announced a £3.5 billion extra spending package, you manage to get so much criticism for doing so.

**Lord Greenhalgh:** You are asking me to make a comment. I recognise this is very tough for leaseholders, but it is also a crisis that you will accept has built up over decades.

**Chair:** Yes.

**Lord Greenhalgh:** It is one of those things that is very hard to get right. There are no simple solutions. We are doing our best. It is a sizable increase, and it is appreciated that it is a significant step. I know the campaigners, those people affected, the leaseholders who are still affected by costs that are not covered, are campaigning for more. I should pay tribute to their energy and their effort, because it has meant that a significant amount of additional money has been committed by this Government towards covering those costs.

**Chair:** We like to think that, as a Select Committee, we perhaps have pushed along in the same direction; maybe we have some more pushing to do in the future. It has certainly gone on for decades, Minister. Let us hope it does not continue for more decades to come.

**Lord Greenhalgh:** I am sure this is not my last appearance. I pay tribute to the excellent pre-legislative scrutiny you have done of the Building Safety Bill, which we will be responding to shortly. I appreciate the work this Committee has done. I am sure this will not be my last appearance, unless I am no longer a Minister, of course. It is my third and it will not necessarily be my last; let us put it that way.

**Chair:** We probably will look forward to seeing you again, Minister. Thank you very much for coming today and answering our questions. Thank you to Mr Goodman as well.