

Levelling Up, Housing and Communities Committee

Oral evidence: Building Safety: Remediation and Funding, HC 1063

Monday 31 January 2022

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Members present: Mr Clive Betts (Chair); Bob Blackman; Ian Byrne; Florence Eshalomi; Ben Everitt; Rachel Hopkins; Andrew Lewer; Mohammad Yasin.

Questions 1 - 109

Witnesses

I: David O'Leary, Policy Director, Home Builders Federation; John Mulryan, Group Managing Director, Ballymore; Peter Caplehorn, Chief Executive, Construction Products Association.

II: Liam Spender, Representative, UK Cladding Action Group; Ben Beadle, Chief Executive Officer, National Residential Landlords Association; Andrew Bulmer, CEO, Institute of Residential Property Management.

Examination of witnesses

Witnesses: David O'Leary, John Mulryan and Peter Caplehorn.

Chair: Welcome, everyone, to this afternoon's session of the Levelling Up, Housing and Communities Select Committee. This afternoon we are looking at the issues of building safety funding and remediation. This follows the Secretary of State's announcement to the House a couple of weeks ago about certain changes that he was proposing. We will be looking at those changes, the proposals and how they might develop.

Just before we come over to our three witnesses—we have two panels of three witnesses this afternoon—I will ask members of the Committee to put on record interests they have that may be relevant to this inquiry. I am a vice-president of the Local Government Association.

Ian Byrne: I employ a councillor.

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



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Andrew Lewer: I am a vice-president of the LGA. The National Residential Landlords Association, which is appearing on the second panel, provides the secretariat for the Private Rented Sector All-Party Parliamentary Group, which I chair.

Q1 **Chair:** Thank you. We will have some other colleagues joining us, but I understand there is something of interest that has been happening in the Chamber today, which may have delayed some of them. They will join us in due course.

I will come over to our three witnesses. Thank you very much for attending.

David O'Leary: I am David O'Leary. I am the policy director at the Home Builders Federation.

Peter Caplehorn: Good afternoon. I am Peter Caplehorn. I am the chief executive of the Construction Products Association.

John Mulryan: I am the managing director of the Ballymore Group. We are a developer.

Q2 **Chair:** You are all very welcome this afternoon. Thank you for coming. Particularly thank you to the three witnesses who have come this afternoon. We did invite representatives from Barratt, Taylor Wimpey and Persimmon to come, but for some reason, which they in due course might wish to explain—I could not possibly speculate—all their executives had other engagements this afternoon. Thank you very much to the three of you for joining us. That is appreciated.

I mentioned at the beginning that we are particularly looking at the announcements made on 10 January by the Secretary of State. Could you tell us, in general terms, what your assessment is of those announcements? Particularly, who should be responsible for paying for remediation of historic defects in buildings?

David O'Leary: On a headline level, we welcome the renewed attention that the Government have placed on this subject. We have been trying for some time now to encourage Government to grip this. We have been offering to work with them on it. For a bit of additional context from an industry perspective, we worked very closely with the Government through a series of roundtables and other engagements in the immediate weeks and months after the Grenfell Tower fire. That culminated in about 2018 with us proposing a new industry levy, because we recognised from the outset that we had a part to play in the solution that we all need.

We definitely also accept that leaseholders should not pay for the remediation of buildings where the building regulations have not been met. Our members have already made provisions totalling about £1 billion to remediate buildings that they had some involvement with. In addition to that, we supported the Government's efforts to bring forward



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the residential property developer tax, which comes in this year. It was consulted on extensively and very quickly with the Treasury last year.

Beyond that, it is still very early to say. We are engaged in this process. We have had a lot of intensive dialogue with the Government through the Department over the past couple of weeks. We are really at the stage of assimilating our information and trying to match it with the information that the Government have. Even after all of this time, we are still very unsighted on how many buildings do need remediation, where they are and who built them. For the time being, we are very much at the outset of a process that we wish we had started some time ago.

Q3 Chair: If I can just follow up before I come on to the other witnesses, what you have said so far is what is already known. You recognise the Government's announcements about tax and levy, which were there before 10 January. You are not at this stage committing your members to anything in addition as a result of the 10 January statement.

David O'Leary: Over the next few weeks, we need to establish how much the Government are looking for. We cannot get close to the £4 billion figure that we have heard, with the information that our members have.

Q4 Chair: You do not think the figure is right, then.

David O'Leary: We would like to interrogate that figure a bit more. The conversation needs to be wider than just developers, which is what was announced on 10 January.

Q5 Chair: Peter Caplehorn, you are one of the others who is not a developer; you are representing product manufacturers. Should you be included in this conversation and making a contribution as well?

Peter Caplehorn: We should be involved in the conversation, and I support a lot of what David has just said. It is very important that leaseholders and occupiers do not pay for any remediation that is needed, but we need a proportionate response. We need to interrogate the exact level of fire safety-critical issues, which have been seen across a number of buildings, but we also see that perhaps there needs to be a more proportionate approach and a better analysis of buildings and exactly what is wrong with them.

We need to enter a bit more into the conversation with Government. All the way through we have been supporting the need for the industry to reform, and we have been part of a number of initiatives. We feel that those initiatives will help with the industry in the future, in particular the Code for Construction Product Information. We are very pleased that it is on the eve of launching, which will help with product information. That is very much going forward. Looking back, there are a lot of problems that need to be resolved. We are happy to play our part to look at how we do that in conjunction with Government. Similarly, we have been involved



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intensively in this situation for a couple of weeks. We want to take things forward to identify precisely how we can help.

As a final point, while we are the Construction Products Association, we do not represent everybody in the sector. There are some particular companies absent from our membership that are critical to the issues going forward.

Q6 Chair: Can you tell us who they are?

Peter Caplehorn: They were particularly highlighted in the Grenfell inquiry: the makers of the ACM and some of the other materials that were highlighted within the Grenfell inquiry.

Chair: That is Kingspan and others.

Peter Caplehorn: Kingspan is a member, to be quite precise, but others are not.

Chair: Perhaps you could let us have a note telling us who the others are.

Peter Caplehorn: I would be delighted, yes.

Q7 Chair: I do not want to leave you out, John. It has been said, quite reasonably, that, where developers are responsible for a building that has defects, they should be responsible for putting it right. There are many cases where the developer does not exist any more for whatever reason. Should the rest of the industry, like your firm, contribute to putting right those mistakes?

John Mulryan: Yes, I fully agree. Where there are building defects, the developer has to go back and repair those defects, as we do. If a developer fails or is not there any more, ultimately the most important thing is that leaseholders are not held accountable and do not have to pay. It is appropriate that Government step in and that, at that point, they levy the industry to recover those costs. Yes, I do think it is appropriate.

Q8 Chair: You think the Government should levy it rather than asking for voluntary contributions.

John Mulryan: I would need to come back on the mechanism of where the contributions come from, but the principle of a levy or a contribution is right.

Q9 Chair: Finally, to the three of you, very briefly, we have talked about the developers and the product manufacturers. Is there any other section of the wider building industry that should be making a contribution to solve this problem?

Peter Caplehorn: Yes, there needs to be a conversation with the whole supply chain. Clearly, buildings are constructed by a wide range of



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installers, contractors and subcontractors. If we are going to look at solving this problem, we need to have everybody in the conversation.

David O'Leary: I would echo some of that. We are noticing that there are a large number of buildings that have been renovated, and largely those renovation projects are not being done by the types of housebuilders that the Government have targeted with their engagement so far. The Government's focus so far has been on largely national homebuilders. We do not really have any insight into how many of these buildings have been built by overseas developers and also with contractors through renovation projects. This really goes back to the starting point. We are still waiting for some information on all of this.

Chair: One of the issues is about the scale and impact of remediation.

Q10 **Bob Blackman:** If I can follow on from that, David, the Government have said they expect developers to fund and undertake "all necessary remediation" of buildings above 11 metres that they "played a role in developing". Can we be clear, from the industry's perspective, on how many buildings that is, in your view?

David O'Leary: We cannot be clear right now, because—

Q11 **Bob Blackman:** We have a problem here. There are people out there who are living in what they consider to be unsafe buildings. Every time we ask this question of different witnesses and different Government Ministers or officials, we seem to get a different answer. It surely cannot be beyond the wit of man or beast to say how many buildings there are above 11 metres that need some work doing.

David O'Leary: Individual developers have their own pictures emerging and have been busy over the past several years trying to establish that. Some of it has been as a result of proactive investigation and some of it has been as a result of building owners coming back to them and pointing out issues, which has then necessitated further exploration work. Individual developers have that. What they do not have is a clear picture from Government on what the size of the orphan building—

Q12 **Bob Blackman:** From your perspective as we sit here today, what is your estimate of the number of buildings involved?

David O'Leary: We do not have a cast iron estimate, I am afraid. We have been undertaking some work with the Department in the last week and over the course of this week to try to establish and assimilate all of the information that we have.

Q13 **Bob Blackman:** When do you expect that information to be ready?

David O'Leary: The Department is targeting some time this week.

Q14 **Bob Blackman:** Can we have a copy of the details from your perspective to aid us in our inquiry? This is the next question I am coming to: what is your estimate of the cost to the industry of doing all this work?



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David O'Leary: Again, we do not have a clear estimate of the cost yet. Each individual builder will have an estimate of its own provision. Some of that has been publicly announced via trading updates and so on, but collectively what we are relying on at the moment is the Government's estimate. That seems quite high to many of our members, who have sight of the buildings they have been involved with. That may be because there are many, many, many buildings where there is no longer a developer, which were built by overseas developers or whatever.

- Q15 **Bob Blackman:** There is this issue about the split between replacing unsafe cladding and remediating buildings with fire safety defects and other defects. Do we have any idea of the split between the amounts of money involved and the numbers of buildings?

David O'Leary: My understanding is that the Government's figure encompasses all building safety and fire safety-related issues. That is where we are working back from. That will be informed by the new guidance that replaces the consolidated advice note that has now been withdrawn. As Peter says, we are now trying to move to a more proportionate approach where we are judging these buildings on actual risk.

- Q16 **Bob Blackman:** We have seen Dame Judith Hackitt and Sir Ken Knight. The proportionate risk is clear. One of the problems we have had as a Committee is in exactly establishing the baseline figures. It sounds like the Government and you are finding it difficult as well.

David O'Leary: Yes. We had these challenges when we were discussing the residential property developer tax. That conversation started less than a year ago, and the industry was then asked for £2 billion over 10 years. We think the number that is going to come out to is probably more like £3 billion over 10 years. Nevertheless, we were trying to interrogate the number then.

- Q17 **Bob Blackman:** This Committee looked at this. I think I am right in saying that we estimated £15 billion originally for the total cost. We have a very wide variation in the estimates here. It would be very helpful if you could pass that data to us when you have it. We will be seeing Ministers in the coming days to ask them appropriate questions about the data.

John, can I turn to you? How many buildings did your company build that now need to be remediated?

John Mulryan: In terms of buildings, we are currently looking at doing remedial works on 20 buildings.

- Q18 **Bob Blackman:** Let us be clear. There are 20 buildings that you are looking at. How many need to be remediated and what is the cost involved in doing that?

John Mulryan: There are 20 buildings that will require some level of remedial works. We have started work on all of those. I would point out



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that the withdrawal of the advice notes is of quite fundamental significance.

Q19 **Bob Blackman:** Has that caused any delay in doing the buildings? Has it cost you any extra money?

John Mulryan: There is a possibility that it could cause a delay in the commencement of some of the works, but the reality is that it could also accelerate the completion of the works. For example, we have started work on all of our buildings, but the scope of the works on some of these buildings will materially change on the back of the withdrawal of those advice notes. We only got the letter on 10 January. We are doing a lot of work at the moment to review what impact that is having, speaking to fire engineers and other professionals. That could have a significant impact.

I can only speak for our portfolio, because we do not have an insight into the wider industry. Certainly within our portfolio it could be very significant.

Q20 **Bob Blackman:** What estimate has your company made of the cost of doing this?

John Mulryan: Given the range of the change that the withdrawal of the advice note could make, I slightly worry that I could mislead the Committee if I give you a precise number, because it could be significantly different from where we are.

Q21 **Bob Blackman:** When do you expect to be in a position to settle that?

John Mulryan: I would say a few weeks.

Q22 **Bob Blackman:** Could you pass us a note when you are in a position to give that estimate?

John Mulryan: Yes, I would be very happy to.

Q23 **Bob Blackman:** Can you give us an assurance that you are not passing any of these costs on to leaseholders?

John Mulryan: We gave reassurance to all of our leaseholders around a year ago that they would not be making a contribution to the remedial works.

Q24 **Bob Blackman:** That is on cladding, fire safety and any other defects.

John Mulryan: That is cladding, fire safety and any interim measures. We have covered all of the waking watch and the installation of fire alarms ourselves. They have not made any contribution to any of that.

Q25 **Bob Blackman:** Thank you for coming and giving us that information. Peter, there is not only the buildings that are being developed. The industry is being asked to contribute overall. There may be companies that have gone out of business; there may be all sorts of other problems,



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not only for unsafe buildings between 11 and 18 metres but also for really tall buildings. Are we clear on what remediation will be covered by this fund?

Peter Caplehorn: Not entirely, no. That is the honest answer. When we look at the range of defects and the range of materials, we need to have a little bit more definition of what we are talking about. Harking back to the thread of the conversation just now, we are concerned that we do not miss making sure that other elements of buildings that are deemed unsafe, not just cladding, are accounted for. At the moment the conversation is just around cladding. We need to drill into a bit more detail. Getting more information from buildings that have been highlighted as dangerous, analysing that correctly and making sure we have a clear definition of where we go is a crucial part of the exercise going forward.

Q26 **Bob Blackman:** Have you made any estimate of what the cost to the industry could be from your members' perspective?

Peter Caplehorn: We have not as yet, because that is quite difficult without getting some of the other fundamental numbers together. As soon as we do, we will be putting that together.

Q27 **Bob Blackman:** Once again, we would appreciate seeing the information when you are able to supply it.

Peter Caplehorn: Yes, of course.

Chair: For the people trapped in these potentially unsafe buildings, speed is of the essence. Ian Byrne will explore that particular problem.

Q28 **Ian Byrne:** David, how quickly will developers be able to proceed with the remediation of their own buildings?

David O'Leary: Some remediation has already happened or is underway. As John says, some of that was probably slowed down by the presence of the consolidated advice note and that has now been moved aside. We are in a better position to understand what works will now be required. Working with Government, we hope that will become even clearer over the next few weeks.

There is a lack of qualified professionals and there are supply chain issues, but I would expect members to be underway with that work as quickly as possible, notwithstanding the fact that we are very short of fire risk assessors and the other qualified professionals we rely on, as well as contractors and others.

Q29 **Ian Byrne:** We are still none the wiser. That is what somebody who has been trapped in a building since 2017, watching this, will be saying. We are none the wiser about how quickly developers can actually proceed.

David O'Leary: We are closer to those buildings being able to be remediated en masse than we were a month ago, just by virtue of the



fact that we now have the Government engaging on this subject again. We have had the withdrawal of the consolidated advice note. We are moving forward. Hopefully in the next couple of weeks we will have more information that we have assimilated with Government and with other parties to understand what the scale of the problem is. Right here and now it is hard to put a date on it.

Q30 Ian Byrne: How about Ballymore, John? Have you started remediation yet?

John Mulryan: We have started work on all of our buildings that require remediation. The vast majority of those we expect to complete over the next six months. There are a couple of projects that are more complex and will be impacted by the withdrawal of the advice notes. We have started on the works that we can start on. There are certain things that will not be affected one way or the other by the advice note withdrawal. When we provide the additional information in terms of that cost, we could also provide some information on timescales, once we have the scope of the works settled.

Q31 Ian Byrne: John, in the evidence sessions that we have heard here and also from sitting on the actual Bill itself, residents' voices have been hugely important. I just want to read out an email that I received last night, which is about a Ballymore building. I want to give her the opportunity for her voice to be listened to and hopefully get an answer from your good self.

"The BSF mandated that all dangerous cladding had to be removed from the New Providence Wharf by the end of 2021, and Ballymore has done that, but we are now suffering very cold temperatures. Neighbours are unable to get bedrooms above 12 degrees even with heating at a time when energy costs are soaring. Families are trapped behind Monarflex with no daylight. Rubbish is kept in open bins in the streets. The scaffolding has blocked access to the refuse store. Now we are suffering security issues with unknown persons climbing the scaffolding whether with ASB or criminal intent to break in. We have had to beg, plead and fight for information. Work has slowed down dramatically. We are getting no information. We know we are delayed, but we do not know by how long. In the meantime we are stuck in our freezing flats with no access to sunlight, due to the plastic sheeting, or fresh air, due to the windows being sealed shut".

I just wanted to give you an opportunity to respond to that. If you have 20 buildings currently under remediation, is that a picture of what we are seeing across all 20 or is that an isolated incident?

John Mulryan: I think that is an isolated incident. The reality is that remedial works and construction works—anybody who has had construction work done to their home will know this—can be incredibly uncomfortable. These are significant construction works. I was made aware of some of these issues over the weekend. To be honest about it, we are investigating.



We have not removed any insulation from New Providence Wharf. All the cladding has been removed and the reason for the Monarflex is that we need to try to minimise the amount of moisture that gets into the façade. Unfortunately that is a necessity. I do agree that it is not ideal for people not to be able to look out of their window. In terms of the temperature, that should not be happening. We need to investigate and understand why that is the case. The insulation has not been removed. That is something for us to do.

In terms of the impact of the works, across the industry people will realise—because these works have to be done while they are living in these buildings—that it is going to be uncomfortable. The key thing is that we need to try to get the works—

Q32 **Ian Byrne:** I totally get that, but it is the lack of residents' voices being heard and the fight for information. There is obviously a breakdown somewhere, which I hope you do address.

John Mulryan: The communication on these issues has been a huge challenge for our organisation. We are looking after 13,000 homes and about 25,000 residents. To be honest about it, since Grenfell in 2017 the level of communication required has been extraordinary. I do accept that at times it probably has not been as good as it could be. We have a big team working on New Providence Wharf, for example. There is no excuse for not being able to communicate.

Equally, it is about regular communication on a monthly basis where we can give people a proper update. Giving updates on a day-to-day basis is just not possible when you are trying to deliver all these works. I take the point on board. We need to try to communicate as well as we can and keep people up to date.

Q33 **Ian Byrne:** You absolutely do, yes. Thanks for the answer. For the second part, I will go back to David and then come back to you, John. How have remediation works been prioritised? What priority will be given to provide disabled residents with personal evacuation plans?

David O'Leary: The prioritisation question is one that we are grappling with and have been talking to Government about since the very first days, in the immediate flurry of consultation that we had with the Government in 2017. That is where we really need some support from the Department. Within the next few weeks we would expect them to have a fairly comprehensive overview of the buildings that require remediation. They will need to be prioritised. As we talked about already, there is a general lack of qualified professionals and a shortage of skills more generally as well.

We will be looking to Government to help with that, because developers—this is already happening, really; I am sure John will attest to this—are all out there looking for the same type of skills at the same time. There clearly will be gradients within the required remediation, which suggests



that prioritisation should be a priority. As I say, it is not really for any individual builder to make that case. It is not really for us.

Q34 **Ian Byrne:** Yes, it is for the Department. John, would you like to add anything to that?

John Mulryan: I can only speak for ourselves. We want to get our buildings remediated as soon as we can. We need to move on from this. We are fully aligned with leaseholders to try to get the works complete as soon as we can.

Peter Caplehorn: At the moment, the sector is suffering from an insurance issue. That is affecting the availability of experts, the availability of designers and quite a few other things across the sector. As an industry, we have been talking to Government for some time to try to sort out the insurance issue, but that adds to the problems that we are trying to overcome. I am not trying to make an excuse, but that is a part of the explanation as to why delays are occurring.

Q35 **Chair:** We are talking to the insurers on Wednesday, so we will be able to follow up on those issues with them. John, you have a serious situation in one of your blocks, to which Ian Byrne referred. Would it be fair to ask you—I am going to ask you anyway—whether in two weeks this issue of proper contact and information for the residents will be resolved and whether the heating issues will be resolved?

John Mulryan: I will do everything I can to try to get those issues resolved.

Chair: We will be asking the residents to give a report to us, and I am sure you would not want to be coming back to explain why that has not happened.

John Mulryan: Yes, that is fair.

Chair: We have briefly explored the issue of the contribution of manufacturers, but Andrew Lewer is going to go into it in more detail.

Q36 **Andrew Lewer:** Peter, this is principally to you. The Secretary of State indeed wrote to you on 22 January to say that the cladding and insulation sector also needed to contribute toward the cost of remediation and said that the contribution “must represent a significant portion of the total remediation costs”. Do you agree that that indeed should be the case?

Peter Caplehorn: We certainly agree that we need to look into it and figure out exactly what the detail of that means. Since we had the letter from the Secretary of State, we have had a number of conversations with our members, and those will continue. We want to work with the Secretary of State and his team to focus in on what that might mean in terms of a contribution. We will continue those discussions as quickly as we can. We want to get to a point where we can see how that might move forward.



Q37 Andrew Lewer: Slightly tautologically, the word “significant” is significant there. In order for you to be able to work that out, what assessments have you done of the contribution of the construction industry to cladding defects on buildings from 11 to 18 metres and 18 metres-plus? Have you been able to assess that?

Peter Caplehorn: No, we have not. That is the straight answer. The focus up until this new initiative has been largely on 18 metre-plus buildings. That has been part of the previous programme. As we know, that work has been continuing. This is a new focus in terms of 11 to 18 metres. As I say, we are keen to work through this and figure out exactly how that can be defined.

As I mentioned earlier, we need to look at the exact details behind each building. We have all seen examples of buildings potentially being analysed in not quite the accurate way that they should be. First of all, through the supply chain, we need to identify exactly which buildings fit into this category and then identify what exactly the remedial works consist of before we can get to an accurate figure.

Q38 Andrew Lewer: Have you had internally—or have the Government or your partners, as developers and constructors, given you—any indication of what “significant” means? “Significant” could be 5% or it could be 35%.

Peter Caplehorn: No, that is one of the follow-up pieces of discussion that we need to have and that we will be having with the Secretary of State’s team.

Q39 Andrew Lewer: What would be the impact on the industry if that significant proportion was extremely significant?

Peter Caplehorn: It is challenging, because there are a range of other factors that are affecting the sector right now. This is a subset of the overall construction products sector, and a significant amount might mean significant problems for some companies. There are a few large companies, agreed, but a lot of them are medium to small.

Q40 Andrew Lewer: Would anyone in the sector want to make some argument that in your view excessive contributions would prevent you investing in the future or investing in research and development to make products safer in the future?

Peter Caplehorn: I would sincerely hope not, because we have a lot of work to do, as I set out in my letter to the Secretary of State. We have been investing as an organisation and as a sector a lot in the future, showing that we need to raise the bar and increase quality, competence and performance. That to me is crucial for the future performance of buildings, but nonetheless we have to address the problems of the past.

Part of the sensitivity of the discussions going forward is about making sure we can address the problems that we see while not hindering



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development as we go forward. At the moment, there are a lot of factors that the sector has been working its way through, and we probably do not want to go into all of those. It has been a difficult couple of years, but we still recognise the problems that tenants and occupants have to put up with.

Chair: We have heard quite a bit about the discussions with Government that are ongoing. We have read in the press what is happening. Now we have a chance to explore it first-hand with yourselves.

Q41 **Ben Everitt:** Let us start with you, John. How is it going?

John Mulryan: We had our first roundtable meeting with the Secretary of State a couple of weeks ago. A huge amount of information has been requested from us, which we are busy pulling together. The deadline is tonight, so our team are busy back at the office at the moment trying to get that information back to the Department.

We had a follow-up meeting with the Department last week. They were looking for a reaction from us to the principles of the letter, which we gave them verbally. This week we are awaiting some feedback from the Department in terms of next steps. From our perspective, that is where we see it at the moment.

Q42 **Ben Everitt:** You said earlier that you accepted in principle that something needs to be done. In your eyes, what would be a good result in terms of the funding arrangements?

John Mulryan: For me, the key thing is that this needs to be something that is fair, proportionate and borne by all responsible parties, not just developers. We should be looking to spread the burden right across the board.

We also need to look at the overall commitment, not just on this point. If you look at what the developers are being asked, we are investing a huge amount in remediating our own buildings and a residential development tax of about 4% is now coming in. Developers like us are not big plcs. We do not have the same balance sheet, and we are not allowed to offset our finance costs in terms of calculating profit. For companies like us, whose developments can have quite high finance costs, that tax is probably going to cost us closer to 6%. On top of that we have the contribution that has been asked for, and there has also been a consultation on a tall building levy. We tend to specialise in high-density locations, so most of what we develop would fall into the category of tall buildings.

It is important that, first, it is fair and proportionate. We also need to look at all of those contributions, not just one, and look at what the developers are doing. As a business we work in both the UK and Ireland. To give you an example, as we sit here today, if you look at the corporation tax that we would pay on profits from residential development, it is 12.5% in Ireland and it is 19% in the UK today. Corporation tax in the UK is moving up to 25%. On top of that, we think



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it is going to cost us about 6% for this residential development tax. That ignores the tall building levy. The taxation on high-density residential development for us will probably be in the early 30s. That is before the contribution and before the tall building levy.

- Q43 **Ben Everitt:** Am I to infer from what you are saying that your version of “fair and proportionate” includes all of the other taxes that you are facing as a developer in order to meet the total cost of remediation, not that this new funding arrangement should cover the total costs of remediation? As you have described it, that is quite a delta.

John Mulryan: It has moved a lot. For example, developers have been asked to do the right thing; they have spent money on remedial works. It would be unfair if you paid the same taxes as everyone else but you had to put a lot more into remedial works. That does not seem quite fair.

It is about trying to find a way to look at all of these taxes, levies or contributions—call them what you like—and ensure that that is spread in a fair and proportionate way, not just for developers but for materials manufacturers and—

- Q44 **Ben Everitt:** We will come to Peter in a sec. Just to be clear, then, when you said that you accepted the principle, were you accepting that the new funding arrangement should cover the total cost of remediation or that some of the cost should be covered? That is a big difference. The taxes and levies that you have just described there are significant, but that makes up a big difference between what you could be negotiating for in a funding arrangement and what it costs to sort the problem.

John Mulryan: Look across all of these contributions or tax levies, whatever you call them; look at all of the funding that is going to be required from developers. It needs to be looked at in the round rather than focusing on one element of it being the contribution. That is what I mean by “fair and proportionate”.

- Q45 **Ben Everitt:** You are going into these discussions with the Secretary of State on the basis that the Secretary of State needs to raise enough money to solve the problem.

John Mulryan: We do not speak for the industry. We will do whatever we can to try to move these matters forward. Certainly in terms of what has been asked of us, we are hoping that we can meet an agreement. We are certainly going to put our shoulder to the wheel to try to do that.

- Q46 **Ben Everitt:** Peter, do you accept the wider point that the costs in reaching this funding arrangement should be shared across the sector and not just paid by developers?

Peter Caplehorn: It is something that we are looking at and that we want to look at with the rest of the sector, yes. The point is that we would start by looking at a proportionate approach. We would also look to identify precisely the costs for each building in terms of what is actually



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needed and try then to work through how this can be approached with our membership and others. We met the Secretary of State last week, and we are now working on how that might actually be done. For us it is quite early days in terms of how we take this forward.

Q47 **Ben Everitt:** It is incredibly early days if we are going to do it bottom up, building by building and on a cost per building basis. The target is to get the funding arrangement agreed by March. How is that going?

Peter Caplehorn: That is challenging, but we have been talking to our members. We will continue to talk to our members and then do a follow-up with the Secretary of State's team. We will hope to meet the deadline as set.

Q48 **Ben Everitt:** John, back to you, is the March deadline something that you feel can be met?

John Mulryan: If I am honest, as I said, we will engage as much as we can. The challenge is around being able to pull the industry together—everybody has a different perspective—and to do that within that timeframe. HBF might have a better view on how we do that. It is not something that I have visibility on.

Q49 **Ben Everitt:** That is a hospital pass, David. Go on.

David O'Leary: I will take it. March is extremely challenging. I said at the start that what we are looking for is the sort of information that we probably should have had under our wing already. That is now being done at breakneck speed. As John says, the timelines involved are frighteningly fast, but we are pulling all of that together because we do need to understand what the quantum is.

We welcomed the Secretary of State writing to Peter. That was probably overdue. We have been around this block already in terms of the residential property developer tax. As I say, we spent most of last year consulting with Government on that. At that point what they wanted from the industry was £2 billion, and here was a new tax to come and get it. As you can imagine, that was not universally popular with our members, especially those that have never built anything above a three-storey house. It reaches quite far into the membership in terms of the size and scale of company. Judging from the press release put out by the Department, this will reach down even further to many medium-size companies in the region.

It is an extremely tough conversation. John might correct me if I am wrong, but at the moment the roundtable is attended by about 20 developers. We think it will have to involve about 50 or so, and those conversations are not going on.

Q50 **Ben Everitt:** That is the crux of the problem, is it not? We can only get this agreement if everybody co-operates. We can definitely only get it by March if everybody plays ball. What are you members saying in terms of



their willingness to engage with this?

David O'Leary: The engagement so far has been universal. No one has resisted the conversation, and indeed they did not resist the conversations being had last year when the Government introduced the new tax. We are going in on a very constructive footing.

Going back to one of the previous questions about the flow of information, I do not want it to seem like the industry is slowing this down, because we have been asked for this information in the last week and we are providing it this week. That flow of information is two way. We are aware of a number of members whose buildings, or buildings they had some involvement in building, now sit in the building safety fund and so are due for, in some cases, extensive amounts of public money. They have said to Government that, if those buildings can be identified, they will contribute to the remediation and do the right thing, as they see it. We are not able to get hold of that information from Government yet and, for various reasons, we do not know when we will be.

Q51 **Ben Everitt:** I am aware we have a selective audience here today of people who are playing ball, because you have turned up. The risk, of course, is that not everybody does. We have had reports that developers that do not co-operate will be hit with restrictions using the planning system, the supply of public land, taxation and so on. The Secretary of State has indicated that cladding and insulation manufacturers that do not co-operate will be hit by a trading ban. This is relatively tough talk. Are the Government right to take this approach?

David O'Leary: Ultimately, where we get to at the end of the process is up to Government. We do not really have a view on that for the time being. As we have done since June 2017, we are engaging on a very constructive basis and trying to help the Government with what they need to achieve.

Q52 **Ben Everitt:** As an industry body, you do not have a view on the sanctions that the Government could take on the industry.

David O'Leary: We do not have a clear view, no. The Secretary of State outlined a few options in the letter to the industry on 10 January, all of which are under consideration and so on. For the time being, we are engaging in the best possible faith.

Q53 **Ben Everitt:** Negotiating in good faith is going to be the trick to getting there, so fair play. John, do you have any thoughts on that before I come to Peter with a specific point on the trading ban?

John Mulryan: To be honest, we are not particularly focused on the sanctions. We are trying to focus on getting these works completed as soon as possible, if we can achieve that. That is our focus. We have not thought much about the sanctions.

Q54 **Ben Everitt:** Peter, it did seem like they were definitely talking about



you there.

Peter Caplehorn: Yes, we understand that the Secretary of State means business. Clearly, he has put that on the table to make sure that point is reinforced. We would like to think that we can rapidly work our way through this and get to a sensible solution without recourse to something like that. One of our problems, as I said right at the beginning, is that not everybody who is in the crosshairs of the Secretary of State is part of our membership. To some degree, we have to rely on the Secretary of State's team to corral those companies in the same direction of discussion. Believe me: we will be working hard to see what we can achieve.

Q55 **Ben Everitt:** Just before I finish, you made the point about having people in the industry who are not part of your membership. That could apply to David's industry as well. It is a complex, huge and very complicated negotiation.

David O'Leary: Absolutely, and, in a year's time, we do not want to be in a position where the UK-based homebuilders are subject to a new tax but international developers can come in from outside and not pay any new tax or not be subject to any sanctions. That does not feel like a fair outcome. Peter has the same issue. A large number of those companies are international firms. Putting the focus on UK-based homebuilders does not seem entirely fair.

Ben Everitt: We have a good flag there.

Q56 **Rachel Hopkins:** Apologies for my late arrival, but there was something rather interesting going on in the Chamber. I just refer to my register of interests. I have a very quick one, starting with David. If the others agree or disagree, just add in. We will try to be swift, if we can, conscious of time. Do you agree with the Government's decision to allow leaseholders to make claims under the Defective Premises Act for up to 30 years retrospectively?

David O'Leary: We are still at this time trying to establish what the full impact will be on the industry. It is not something we actively opposed in any way, but there is a concern on the part of SME builders that this is a huge long-term liability. It far exceeds anything that is warranty-able. Peter has talked a bit about the insurance problems that the industry is facing. This does not seem like something that will be that easily overcome for those small firms. The majority of our members are SME homebuilders. We are trying to establish the impact of this at the moment.

John Mulryan: I agree with what David has said. The only addition is maybe that it depends on what this would cover. There are elements of buildings that will not have a design life of 30 years. If you look at mechanical or electrical systems, for example, how those systems are maintained during that 30-year period will be much more important. Many of the components will probably have to be replaced during a 30-year period. There is quite a bit of work to do in thinking about how



this would be implemented. I do agree: if the liability were taken on by developers, particularly small developers would need to find a way to pass that liability to the people who make the components of buildings. We need to think about how that risk would transfer.

Rachel Hopkins: I can see you nodding, Peter. I am sure you want to add something.

Peter Caplehorn: With this, the devil is very much in the detail. The ambition is clearly there, but there are issues about maintenance, design life, the original specification and whether the components were put together properly. All those issues need to be taken into account when you are considering something like this. Things that were defective from the beginning or incorrectly specified do need to be considered and definitely dealt with.

Q57 **Chair:** When the Secretary of State made his statement, one of the key issues he raised was about withdrawing the consolidated advice note and issuing new guidance. If I could just simplify it, he almost seemed to be saying, "Not as many buildings will now need attention and the EWS1 forms will not be necessary for very many of them, so life will be okay from now on, will it not?" Just to come back, first of all, to David, is that your take on it? Are there still issues to be addressed?

David O'Leary: There are still some issues to be addressed with this withdrawal of the consolidated advice note, yes. It is very much welcomed, but, again, we go back to the insurance issues and the fact that there is an indemnification scheme coming down the line. That will not be in place until Easter. That is the target from the Government there, which goes beyond any deadline that has been set for the ongoing negotiations that we may be part of.

Generally, the return to something approaching what the Secretary of State calls a common sense approach is positive. It will hopefully have the impact that it needs, but it is vital that RICS, surveyors, lenders and everyone else is also part of that conversation. At the moment, it is not clear that they are responding in necessarily the right—

Chair: We are talking to RICS and the lenders on Wednesday as well.

John Mulryan: We welcome the withdrawal of the advice notes. For what it is worth, even though there are some details to be worked out, in our view this will mean that a huge amount of work that would have been carried out that was probably unnecessary now will not be carried out. We can use the funding that we have available where it is really needed. It is a very important step, and it could have a big impact on how we resolve these issues sooner.

Q58 **Chair:** I do not know whether either of you saw the article in *Inside Housing* where a number of experts, including Dr Jonathan Evans, who has been to give evidence to this Committee, were essentially saying,



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"You still have the Fire Safety Act. Many buildings will need detailed fire risk assessments. It is down to the owner to decide which buildings those are, but most owners are not qualified to do that. They will be taking risks, and they will need those risks insuring. Those assessments could take a very long time and need to be repeated. There simply are not the experts around to do it. This whole process might simply get in a logjam with nothing happening". Is that a concern that is still around?

John Mulryan: For our portfolio—again, I do not have the wider context—I might be repeating a point from earlier on, but it could mean a delay to the start of certain works. The benefit of it is that the works could be shorter, which could mean that people are not living in a construction project for as long a time. Yes, in the round it will mean that we get these buildings remediated sooner. That is our view.

David O'Leary: Yes, I would agree that it is overall positive, but it is not a panacea in any way. It will involve proper engagement from the surveyors and from the lending industry.

Q59 **Chair:** There are not many surveyors around who can do fire risk assessments, are there?

David O'Leary: No, and the Government's announcement about indemnifying fire risk assessors is part of this. Again, we are waiting for that. That is many weeks away as far as we are aware.

John Mulryan: The issue around the discretion of the client should be looked at, because in my mind it should be something that is either applied or not. I am not sure that giving discretion—

Q60 **Chair:** Who should decide, then? If there is not discretion, who should decide?

John Mulryan: If we feel that this new risk-based approach is correct, it should be applied across the board.

Chair: Who decides on the risk?

John Mulryan: Ultimately, it will be the regulators.

Q61 **Chair:** The regulator should decide which buildings will require these fire risk assessments to take place on them.

John Mulryan: If we are going to rely on this standard, we should say that this standard is sufficient and appropriate or that it is not.

Q62 **Chair:** The regulator should lay down the standard and decide which buildings should be subject to these assessments.

John Mulryan: If the standard is acceptable, it should be acceptable to everyone. That is our view. Ultimately, you are talking about safety. You cannot have levels of safety. The buildings need to be deemed safe.

Q63 **Chair:** It goes back to this issue about which buildings should be



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risk-assessed.

John Mulryan: Ultimately, all buildings that have failed to achieve their EWS1 form to date should be assessed.

Q64 **Chair:** That is going to be a lot of work for somebody who does not exist at present, because there is not the number of inspectors.

John Mulryan: The number of inspectors is a challenge, absolutely.

Q65 **Chair:** Peter, I will bring you in. You were just nodding away there. Then we are going to have to conclude at that point.

Peter Caplehorn: I just wanted to say quickly that the PAS is a step forward, but we need to get more fire risk assessors qualified and we need a properly accurate robust approach to this, because it is so important. It does need to cover all buildings.

Chair: Okay, that is going to be a challenge in itself, but we can explore that further with other witnesses as well. Thank you to the three of you for coming to give evidence to the Committee at short notice and for changing the time of your appearance at short notice as well. We very much appreciate that and we appreciate that you have been willing to come to discuss these matters with us when others were perhaps otherwise engaged; I am wondering about that. Thank you very much indeed.

Examination of witnesses

Witnesses: Liam Spender, Ben Beadle and Andrew Bulmer.

Q66 **Chair:** Thank you for joining us. We have one witness with us in person and two on Zoom. I will ask you all to introduce yourselves to begin with and say who you are, and then we will get on with our questions.

Liam Spender: I am Liam Spender, representing the UK Cladding Action Group.

Chair: Thank you very much for coming.

Ben Beadle: Good evening. I am Ben Beadle, chief executive of the National Residential Landlords Association, representing about 100,000 private sector landlords across England and Wales.

Andrew Bulmer: Good evening. I am Andrew Bulmer, chief exec of the Institute of Residential Property Management, representing about 5,500 residential property managers.

Chair: Thank you very much, all three of you, for coming. One or two members will probably have to leave part of the way through the session. That is nothing that you will be saying that will have deterred them in any way. It is just that there are other events happening in Westminster



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today, and members are splitting their time between various meetings.

Q67 Bob Blackman: Thank you for all attending. First and foremost, the Government changed their position quite substantially on 10 January 2022 in relation to building safety. I would first like to hear what your members' reaction is to that change of heart.

Liam Spender: May I say thank you to you, Chair, and to the Committee, past and present, for all the work you have done on this issue? I do not think we would be where we are today without that work in terms of keeping the pressure up on the Government, so thank you, first of all.

We are a long way forward. The key now is whether the Government deliver on their promises. We need to see the amendments the Secretary of State mentioned in his announcement two weeks ago put down in the Lords. We need to see the issues you were talking about with the three gentlemen before me resolved and getting the contributions from industry. Then we will know where we stand.

Q68 Bob Blackman: Andrew, what is your reaction to the change of view?

Andrew Bulmer: We very much welcome the reset. We welcome the end of the proposed 18-metre loan scheme that was never going to work. We welcome the withdrawal of the consolidated advice note and substitution thereof. We welcome the £4 billion of funding and the hope of funding for non-cladding defects for buildings 11 to 18 metres.

We now really need to understand the detail. That is the positive, but we are fearful. We need to see how this is actually going to work. How will the 11 to 18-metre cladding fund actually work in practice? How will the non-cladding 11 to 18-metre fund work in practice, especially when there is no builder or warranty to chase? What about cladding for buildings under 18 metres?

We welcome the announcement on prioritisation of remediation. We have been calling for this. I have forgotten how long we have been calling for that. It is such a common sense thing, but on what basis, when and who will make the decision on how those are prioritised? Also, with RMCs, residents and leaseholders taking on developers for the 30-year defects, we want to understand how that is going to work. It is a positive step in the right direction. In that sense, it is a breath of fresh air, but we are practical people and we want to see how this will work.

Q69 Bob Blackman: Ben, what is your members' view?

Ben Beadle: To echo Andrew's sentiments, we are pleased with the announcement. The devil will be in the detail. We agree with the Government's sentiments that innocent leaseholders should not be expected to foot the bill for the problem of dangerous cladding. Who would have thought that we would have had to have fought so much to get to this point for a really basic view on life?



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The problem is, for us and particularly our members, that Ministers have failed to confirm whether buy-to-let landlords will be covered by the scheme, despite being leaseholders like everybody else. These are people that typically own one flat in a block, not property tycoons. I accept that there may well need to be some exceptions for some very large developers that have built the blocks themselves and only have themselves to blame, but protecting leaseholders and making industry pay is an absolutely sound statement. It is really disappointing to see that the Government have singled out a group of people for no good reason whatsoever.

Q70 Bob Blackman: Staying with you, Ben, who do you think should pay for remediating the historic defects on buildings, both cladding and non-cladding? You are pretty clear that leaseholders should not pay, but who do you think should pay?

Ben Beadle: What Government have set out—that there needs to be an industry contribution in order to fund the remedials necessary—is a really sound approach. I just do not think that you need to discriminate between certain groups of people that benefit from it and those that do not. At the end of the day, landlords are in the same bed as the average leaseholder. Unless they installed it or built the block themselves, they should be treated in exactly the same way as what the Government have proposed. We have a really narrow issue on this, to be honest with you, which is that landlords should not be excluded from the provisions in the announcement on 10 January. It really is as simple as that.

Q71 Bob Blackman: Andrew, what is your view on who should pay?

Andrew Bulmer: It should always come back to the polluter. That is the natural principle of justice, so that combination of developers, the industry, the construction industry, materials supplies and so forth. Government themselves have put their hand in the pocket where Government themselves probably have some role to play in that. It is very clear that leaseholders should not be paying. I would probably pick up on Ben's point about including the buy-to-let landlords. They are leaseholders also.

Q72 Bob Blackman: What happens, for example, when a company has gone out of business and it is no longer around? Who should pay under those circumstances?

Andrew Bulmer: That is going to come back to Government having a discussion with the industry. It is clear that the leaseholder should not be paying. Somebody is going to have to pay and, ultimately, that is either the industry or the state. As a taxpayer, I am not a fan of the state paying. I would rather not, but I accept my responsibilities as a taxpayer and the state has some culpability in this.

Ultimately, it comes down to who the polluter is. If we cannot identify the individual polluter because they do not exist anymore, it is going to have to come down, to some extent, on that relationship between Government



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and the construction industry, as to how they sort that out between them, but it should not be going back to leaseholders.

- Q73 **Bob Blackman:** What happens if the building regulations have changed subsequent to the actual buildings being developed? Subsequent questions will go on to the change of the Defective Premises Act, but we are in a position whereby some developers may, quite rightly, say, "The regulations said this and that is what we built, but it is now deemed unsafe".

Andrew Bulmer: I have sympathy with that. I can understand the developers' point of view—I really can—but what should not be happening is the leaseholder should be paying.

- Q74 **Bob Blackman:** We all accept that, but then what is your view about who should pay? At the end of the day, your members end up managing most of these buildings and, potentially of course, could end up contributing. Some people might say, "You are managing these buildings. You should have spotted these things. You should have done something about it".

Andrew Bulmer: That would be a tricky call when the risk assessments are generally done by other professions. The property managers are not to blame for this crisis, nor are leaseholders, and neither of those two should be paying. I would be robust on that, I would suggest. When you have a state that is changing the rules, I am going to leave that to the state to pay. As property managers, we just want to make sure we are managing safe buildings and the money has to come from somewhere.

- Q75 **Bob Blackman:** Coming back to you, Liam, we are all in broad agreement about leaseholders not paying. What is your members' view on what should happen under these sets of circumstances that we just talked about?

Liam Spender: The bottom line, which leaseholders everywhere are resolute on, is that we are the end consumer. We bought in good faith. It is not our responsibility to clean up industry's mess. It is not our responsibility to clean up regulators' mess either. The most effective way of ensuring the burden does not fall on the taxpayer, the leaseholder or anyone else is to extract the contributions from industry, whether that is through an expansion of the levy that is already in place, voluntary cash contributions or contributions in kind. We are agnostic on that. We have no strong view.

I do not think we should get into there being innocent industry players and not innocent industry players. They were all in the same industry. What is coming out of the Grenfell Tower inquiry is the high degree of knowledge within the industry about what was going on. In our view, the ones who stayed silent are exactly as culpable as the ones who built shoddy buildings.

- Q76 **Bob Blackman:** I am not sure if you were here for the earlier evidence



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that was given. From the witnesses we had, they said we do not know how many buildings are affected, we do not know what the cost of fixing any of these buildings is and here we are, nearly five years on from Grenfell. What is the feeling of your members, stuck in these properties, who, potentially, are in unsafe buildings?

Liam Spender: It is a fate you would not wish on your worst enemy. The fact that it has gone on for five years is really a national disgrace. It should have been sorted out much sooner than now, than just the last couple of weeks really, although we have had half measures in the past. The fact that the data is not available and people do not know how big the problem is is indicative of the depth of failure so far. We are where we are. We need to get out of where we are.

Q77 **Bob Blackman:** Andrew, what do you want to see out of the financial arrangements that are apparently being negotiated with the industry?

Andrew Bulmer: We need a clear line to funding and we need that funding to be delivered promptly. Beyond that, I am relatively agnostic as to how the Government and the industry arrive at their settlement. We just want to see the money. We just want to get these buildings fixed.

Q78 **Bob Blackman:** Ben, what do you want to see out of the financial settlement?

Ben Beadle: I would echo the previous points. This has been such a debilitating exercise for those that are affected that speed is really of the essence.

Q79 **Bob Blackman:** Clearly, you could not have seen the earlier evidence where we do not know how many buildings and we do not know what the cost is. Basically, we do not know, which seems a bit strange at this stage.

Ben Beadle: We need to get a grip of the problem. We have not had a great deal of time to get to the bottom of the issue.

Q80 **Bob Blackman:** Sorry, with due respect, we have had a lot of time to discover what the extent of the problem is. The only dispute has been who is paying and who is carrying out the work.

Ben Beadle: If I dial back, the Secretary of State's announcement was a very clear one. They should better get on and negotiate what the settlement is. This is really affecting people in a desperate way. Whether you are a landlord or not and whether you will be able to access the remediation funding, it is an absolutely diabolical situation for those who are in it.

Bob Blackman: We have a lot of detailed questions that we are going to go into now, after that.

Q81 **Florence Eshalomi:** I refer members to my declaration of interest. Sticking on the issue around cost, I was also present in the Chamber on



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10 January when the Secretary of State made that statement. One thing that came out loud and clear from Members on all sides was around the fact that there are still concerns. Do you feel that the announcement protects leaseholders from all costs for making their building safe?

Liam Spender: That remains to be seen. As you rightly say, there are some key details here that are missing or not fully explained. We would need to see those details and make sure they are resolving the situation for everybody, inside and out, so external walls and internal defects. Reluctant though leaseholders are to have to continue waiting, that is the only option we have at the moment. We expect the Department to deliver on what it has promised and we expect it to do it quickly.

Q82 Florence Eshalomi: Andrew, from your perspective, do you feel that this protects leaseholders from all costs in making their buildings safe?

Andrew Bulmer: There are some significant gaps. If we were to generously assume that all costs for leaseholders in 11 to 18 metres were to be covered, for both cladding and non-cladding—I have my doubts; I feel sceptical of the detail and where the end of that tail is—it still has not addressed the question of non-cladding costs for above 18 metres. It still has not addressed the issue of buildings potentially under 11 metres that could be at risk as well. I want to be positive. We are trying to stay positive. We really need to see the detail.

Q83 Florence Eshalomi: One of the issues I am concerned about—this will be similar to many other MPs up and down the country—is that I receive emails from constituents who are already paying. One issue that my colleague who has left now, the Member for Harrow East, raised with the Secretary of State was around people who have already started paying for costs. In that statement, the Secretary of State said that he cannot guarantee that the Government will be able to compensate leaseholders who have already contributed cost to the remediation. We are talking about huge sums here. I receive emails from people paying in excess of £5,000 a month, money they do not have. What is your response to the fact that these people may not get that money back?

Andrew Bulmer: It is very simple: it is unjust. You have people who have been trying to do the right thing, often working with their team, their building manager, perhaps their landlord, whoever, but they have tried to do the right thing. The right thing, of course, is to get the building safe as quickly as possible. For them to be penalised for that at high levels seems to be unjust. If the polluter is to pay, it would suggest that, if we are not to pursue the polluter for those where the leaseholders have already paid, that is throwing those leaseholders under a bus. I feel that that would be unjust.

Liam Spender: I agree with the point you are making. In some cases, leaseholders are paying thousands of pounds each for these waking watches, for which there is no empirical evidence. The fire service says that it is not their fault that there are waking watches, but it says that, if



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the responsible person does not take steps, which include waking watches, the building will have to be evacuated. One disappointment we felt about the announcement is that that was not addressed.

When is someone going to take a grip of fire and rescue services? They do a difficult job—do not get me wrong—but can someone not put to them that there is an enormous cost to this sort of intervention? Where is the empirical basis? Is there a better way of doing it? Those sort of questions do not seem to be asked. Until the situation is resolved, people will have to continue paying, which is another reason why we need it sorted out as quickly as possible.

Q84 Florence Eshalomi: Ben, have your members been paying and what kinds of figures have you been seeing?

Ben Beadle: We have one member with a leasehold flat in Manchester with a number of cladding and non-cladding issues that they have been asked to contribute to. The freeholder has already invoiced leaseholders for a share of the £7 million remediation cost, to the tune of about £65,000 per property, as well as seeking to spend £120,000 on an alarm system. I have plenty of case studies that I will share with the Committee. These are things that are already going on, notwithstanding the Secretary of State's announcement. To echo Andrew's point, it does not matter if you have already started paying. The help needs to be there across the board, otherwise it is totally unjust.

Q85 Florence Eshalomi: The other thing that always comes up is the issue of waking watches, which Liam has alluded to. There is the additional £27 million to fund alarms to effectively end the use of waking watches. The Secretary of State announced that the Government will work with insurance companies. These are all additional costs that leaseholders are having to pay now. How confident are you that ongoing costs for leaseholders, including waking watches and insurance premiums, will reduce?

Liam Spender: That is one of the key issues we are missing. In the last week, we have seen the Secretary of State cajole the Financial Conduct Authority and the Competition and Markets Authority into asking the insurers these difficult questions: why are prices so high? Why is there such a difference between a single-block residents-run building's insurance cost and an institutional freeholder's insurance cost. That needs a lot of explanation. If the insurers are pricing buildings by risk, if they both have cladding on, the insurance costs should be the same, but they are actually wildly different.

You were touching on it in the last panel. Until we have a coherent approach across lenders, surveyors, insurers, the Government, managing agents and freeholders as to which buildings actually need to be remediated, leaseholders will continue picking up the bill. That has to stop. Regardless of where we end up on who is paying for remediation, we cannot keep treating leaseholders as the banker of last resort.



Q86 **Florence Eshalomi:** Andrew, I am sure you have seen a number of those insurance premiums go up with some of your members.

Andrew Bulmer: We have seen some horrifying increases. No property manager wants to be sending out massive bills, knowing that what you are doing is hurting the customer. We are really worried about this. Your exam question was how confident we are. I have difficulty answering that. We know that Government have been talking to insurers for a long time. There have been many conversations, many promises. We have seen not much action as a result of it. History would dent my confidence, but there seems to be a new mood, a new impetus, so, again, we cross our fingers and remain hopeful. My confidence score at the moment is, at best, average.

Q87 **Florence Eshalomi:** On that, in terms of the fact that we have been speaking about this and many colleagues from across the House have always pointed that out, what concrete steps or guarantees do the Government need to make to make progress on this area?

Andrew Bulmer: That is a very tricky one, because an insurer, ultimately, will decide its risk in isolation. It will decide what to do. If it does not want to enter the market, it does not have to. There is an element of defensive pricing that is clearly going on, but it is a private sector industry.

There is a role perhaps for a higher degree of state intervention in this one. Suggestions have been made, for example, about being an underwriter of last resort, which takes away the risk of a catastrophic loss. That really ought to be bringing the premiums down. To date, none of these suggestions have gained traction and we hope that they will.

Q88 **Florence Eshalomi:** Ben, is there anything among your colleagues that you have been discussing to try to address and maybe help residential landlords in this?

Ben Beadle: It is worth me just reiterating that, as it stands, my members will not even benefit from the announcement that was made on 10 January. Yes, I have lots of case studies of service charges tripling and quadrupling as a result of the costs of insurance and the difficulties in getting things insured. As it stands, my lot do not even stand to gain from the announcement. We are very much the poor relation here, I am afraid.

Q89 **Florence Eshalomi:** Finally, to all three of you, in terms of discussing some of the funding, what is the mission from the Government in actually addressing this head on?

Liam Spender: The fundamental problem, which is a large part of the reason, apart from shoddy construction, that we have ended up in the situation we find ourselves in, is that there is a conflict of interest at the heart of leasehold. A landlord gets to spend someone else's money, the leaseholder's money, on the building, not a penny piece of their own



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money. That is played out in buildings that have been put forward for remediation. You see the same issue. The assessor does not want to take the risk. The landlord does not want to take the risk. The leaseholders end up with the bill.

It is the same with the insurers. They know that the people they are actually addressing the invoice to are not paying the bill. It is someone else's money. One issue with insurance that has not been addressed is that part of the reason it is so expensive is because it is loaded up with commissions for freeholders. We need to do something about that to bring the price of insurance down as well. That can be 20% or more of the cost. If you got rid of the commission, you would immediately reduce the price by 20%.

Q90 Florence Eshalomi: Andrew, you alluded to it earlier, in terms of the fact that some leaseholders bought the properties in good faith as well and they do not actually have any involvement with the developers. What more do you think the Government are missing out on in addressing this issue?

Andrew Bulmer: If we are still back on insurance, commissions and what have you, I would welcome transparency on insurance commissions. At the end of the day, it is the customer who is paying those bills. The risk point is a very compelling one. No professional is going to put their neck on the line and their PI on the line by taking a risk, whether that is the insurer or the fire risk assessor.

If you have a fire risk assessor or a fire service that is telling you to put a waking watch in, are you going to go against them and deny that on the basis that it will probably be okay? Statistically, it may be, but, by gosh, you cannot do that. The profiling of risk, the understanding of risk and the proportionality of risk is something that needs to be addressed. Certainly, insurers are a large part of that conversation.

Q91 Andrew Lewer: The Secretary of State said that the Government will enable shared owners affected by the cladding crisis to more easily sublet their flats. How much of a difference will that make?

Liam Spender: It is a welcome step in the right direction. The Government are actually loosening the guidance to housing associations and the like. Currently, there is an express ban, prohibition, on subletting these properties. They have also written to lenders and said that they should give consent to let. Again, we are relying on actors other than the Government to carry this through, but it is a very welcome intervention. The key is making sure that it plays out on the ground.

Q92 Andrew Lewer: Yes, indeed. Ben, do you agree with that?

Ben Beadle: Yes, I agree with that. It is a step in the right direction. It allows people to move on with their lives. We have examples of members who have gone on to sublet their shared ownership property and either purchase or rent another one. That is, essentially, what it allows. If you



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cannot sell it, it is the next best alternative to be able to cover some costs and rent it out.

It is a little bit galling that we are going for certain subsets of the leasehold community that are allowed to do these things. If you have bought a property with the best of intentions, because you are a buy-to-let landlord, and rented it out, and you are in the same boat as everybody else, why on earth are the Government singling that group of people out? It is beyond me.

Andrew Bulmer: Shared ownership is not really our bailiwick, but the proposals seem sensible. There seems to be little sense in locking people in. People are really struggling here and they need to be able to move on with their lives. Certainly from that point of view it seems like a good thing.

The only comment that I would make is that the consumer protection regulations 2008 are now starting to move into letting agents. In terms of the cladding situation, guidance has been issued whereby letting agents need to make prospective tenants aware of any material information that may affect their transactional decision. There is a question mark over exactly what information is required on that. There is just a little cautionary note that, even if the lettings are allowed, it may not be completely the panacea. We may find that tenants are making an informed choice as to whether they would want to move to that building that has problems.

Q93 **Andrew Lewer:** I will bring Ben and Liam on to it as well, but while you are on, Andrew, picking up on that, is there anything more, therefore, that the Government need to do to help shared owners of flats with historic defects, given that you have just pointed out one potential continuing problem?

Andrew Bulmer: That one would apply across the lettings piece as a whole. In terms of shared ownership, again I am going to say that this is not really our bailiwick. I am aware that there are issues where leaseholders may be bearing 100% of costs where they do not have 100% of the ownership. If that is the case, that needs a look at as well. That seems unjust.

Andrew Lewer: That is useful.

Ben Beadle: I have nothing further to add. This is not an area that we necessarily represent, so I am happy to leave it to others.

Q94 **Andrew Lewer:** Liam, do you have any further thoughts?

Liam Spender: I would go much further than Andrew Bulmer. He was far too diplomatic. It is a travesty that shared owners with less than 100% have been visited with 100% of the bill. The Government should most certainly make sure that is addressed in the final funding solution.



Andrew Lewer: We will pick that up.

Chair: We have heard a lot about the mental health pressures that can be on people who are trapped in these properties. Rachel Hopkins, do you want to explore this?

Q95 **Rachel Hopkins:** The Committee has called for improved mental health support for those affected by the crisis in its report back in April 2021. It is something I have tried to raise with the Secretary of State and as the Bill passed through Committee. Having spoken to constituents in Luton South and heard lots of testimony through the course of the Bill, it is such an issue. Over the last nine months, has the support for leaseholders' mental health in the crisis improved at all?

Liam Spender: No, it has not improved in the last nine months. Leaseholders generally depend on each other for support. Last night, a lady emailed me and said she had been caught in the fire at New Providence Wharf. She had had no option but to wait on the balcony, because the flat was smoke-logged, until the firefighters were able to come and bring her a smoke hood and a canister of oxygen. I cannot imagine what that must have been like. She wrote and told me that she had had no support at all. That is obviously an extreme example.

It is inhumane to keep people in the condition they have been kept in. Will you have a bill you cannot pay? Will you not have a bill you cannot pay? Can you pay the waking watch this month? Can you cover the insurance? In a fair and reasonable world, those would be costs for which leaseholders were compensated. I would hope that a reasonable Government would be able to do something about that.

Q96 **Rachel Hopkins:** Does anyone else want to comment?

Andrew Bulmer: Yes, I will. First, I will endorse every word that Liam has just said there. That is absolutely spot on. I could give you the same answer from a different perspective, which is that property managers are well aware of the suffering that leaseholders are going through. We work with and liaise with the cladding groups on a regular basis. We see the stresses and strains.

We see the stresses and strains also coming through our frontline, which is our property managers on the ground. When they are looking after deeply unhappy customers, often they are the messengers that get shot, when they are sending the bills, those waking watch bills, having to report the insurance hikes and having to say, "It looks like you have funding, but we still have not heard. We still do not have the funding through from the application. Good news: we have money for the cladding, but we do not have money for the non-cladding fire risk, so we would still like another £25,000 from you".

They are presenting huge, massive bills and delays to people who are suffering very greatly. The consequence of that is that the relationship between the customer and the messenger can get very strained. Nobody



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wants to hear about property managers bleating, because the conversation is all about leaseholders. It should be all about leaseholders; they are the ones that are badly wronged here. If I tell you that, in a mental health survey of property managers, they are now in the bottom 17% of the UK population, benchmarked against an ONS survey, on the "life is worthwhile" score, you can see that the whole system here is breaking down. There is stress and strain across the piece and this crisis needs to come to an end. It needs to come to an end fast.

Rachel Hopkins: Thank you, Andrew, for that other perspective. I appreciate that.

Chair: The Government have proposed certain changes to the Defective Premises Act. Mohammad Yasin will explore those.

Q97 **Mohammad Yasin:** Do you welcome the Government's decision to allow leaseholders to make claims under the Defective Premises Act for up to 30 years?

Liam Spender: Anything that helps potentially resolve the problem and is another tool in the bag is welcome. It is unlikely that this actually will deliver results for many buildings, for reasons of practicality. First, you need someone to sue, or worth suing. Secondly, after 30 years, are the documents you need to prove your case still going to be around? Are the people who worked on the building still going to be around to give evidence? Thirdly, can you, as a group of leaseholders, organise and raise the money necessary, or find a lawyer to do it on a conditional fee agreement, to actually access the claim? In many cases, the answer to one or more of those questions will be no, so it is of limited utility, but still welcome.

Q98 **Mohammad Yasin:** Do you think that it is not practical for leaseholders to bring claims under this Act?

Liam Spender: Generally, it is not worth leaseholders getting involved in litigation, no.

Andrew Bulmer: I would support that. Again, Liam has articulated that well. Your average RMC taking on a PLC developer with a QC that can simply outspend them is a challenge that is beyond the realm of all but the most resolved RMCs.

There is another issue. We have already seen this. There is already one case going through at the moment where residents are suing their RMC because their RMC started to take action, there is a seven-figure sum in legal costs and that is now being recovered through the service charge, and therefore the other residents are unhappy.

It is welcome. It is a good thing. It is another tool in the bag, as Liam says, but, in practical terms, we are not going to have residents taking on the construction sector.



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Q99 Mohammad Yasin: What solution is there, if any, that can be found for those who may not be helped by the extension to 30 years? The new Act allows the leaseholders to go back 30 years. If some leaseholders do not fall under that, are not covered or it is longer than 30 years, what is the solution for them?

Ben Beadle: There are not so many options available here. I need to see a bit more of the detail about how the 30 years will actually work. 30 years is a long period of time, for the reasons that have been articulated. It relies on the entity still being around and available to go after. It is a welcome move, but there are obviously some limitations as to how it will work in practice.

We spoke about this earlier. There could be some sort of fund from industry that is going to help those that fall outside of it or where organisations are no longer about to pursue. That is something that could be considered.

Liam Spender: Broadly, I agree. The ultimate solution is that we need more money. If estimated costs are £15 billion and there is only £5 billion on the table, or £9 billion after the most recent announcement, we need to bridge the gap between the £9 billion and the £15 billion, which is £6 billion. You will not be able to do that through litigation.

Chair: We will move on now to the announcement by the Secretary of State about the withdrawal of the consolidated advice note.

Q100 Andrew Lewer: As we have just heard, the Government have now withdrawn their consolidated advice note. Do you welcome this move? What is your view of the new document, PAS 9980, that has replaced it?

Ben Beadle: Yes, it is a good move, broadly, and something to welcome. As I say, we approach this from a particular angle, with a particular group in mind. I would be a liar if I said that landlords were jumping up and down with joy at this news, but it is certainly a step in the right direction. It is worth bearing in mind that PAS 9980 is a very technical document. I do not think you are going to get many landlords or leaseholders poring over it, but it is a step in the right direction, giving people clarity.

Q101 Andrew Lewer: Ben, staying with you and the technical as well, do you believe that this will lead to fewer EWS1 forms being required?

Ben Beadle: Yes, hopefully. I think that that is what is intended, but it will only replace the need if the industry interprets its methodology as being suitable to assuage the risk. This remains to be seen. We have to see how it plays out.

Q102 Andrew Lewer: Andrew, do you welcome the withdrawal of the consolidated advice note? What is your view of PAS 9980 and whether that will lead to fewer EWS1s?

Andrew Bulmer: We welcome that move. We welcome a move towards proportionality. Whether it will deliver the promise of fewer EWS1s rests



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with the insurance sector, in terms of how we underwrite risk, and with the lenders. Again, ultimately, it is up to them to decide whether they want to lend. They will make the argument also that they are protecting the interests of their consumers. Will they call for fewer EWS1s? I suspect probably a little, but it may not be the panacea we hope for.

Q103 Andrew Lewer: That is interesting, if not that encouraging. Liam, do you welcome the withdrawal of the consolidated advice note? What is your view of PAS 9980 and whether it will lead to fewer EWS1s?

Liam Spender: On the death of the consolidated advice note, I do not think anyone regrets that passing into history. It was a misconceived intervention in the market altogether. It greatly increased the scope of the problem.

On PAS 9980, I am with Dr Jonathan Evans, who you mentioned earlier, in the last session, Chair. It tells you all the ways a building can potentially fail, but it does not give you the secret ingredient we need here, which is the objective definition of what is safe or what is acceptable, which buildings need remediation and which buildings do not need remediation.

I come back to my theme about conflict of interest. We will not reduce the number of EWS1s until we fix the conflict of interest, until people can stop spending other people's money to cover their risks and, in some cases, like managing agents, make profits out of it. They generate project management fees from putting these buildings forward for remediation, so there is a perverse incentive in the system. That needs to go as well.

Q104 Andrew Lewer: That could potentially, therefore, lead to buildings that do not need work being prioritised over those that do.

Liam Spender: I agree. We are seeing a lot of that happening, because there is no objective standard of risk. It is a free-for-all, a wild west.

Q105 Andrew Lewer: I have a general question for all three of you, broadening that out a little bit. What else would you like to see the Government do to help people to be able to sell their flats? Ben, what else do we need to think about in order to move this on and help people to be able to sell their flats?

Ben Beadle: From my perspective—sorry to sound like a broken record on this—my interest here is making sure that all leaseholders can access the funding. My members are excluded from the announcement that has been made. Our members do not want to have to sell their homes. They want to be able to remedy the things that have gone wrong as quickly as possible, so that they can either move in or continue to let them. My interest here is very narrow. Sorry if that does not answer your question, but we have to broaden it out to make sure that all leaseholders are covered by this recent announcement.



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Andrew Bulmer: It is about certainty: certainty of funding, certainty of remediation and a timeline will make properties far more transactable. I would leave it at certainty, to be honest with you.

Liam Spender: It is all the above. Leaseholders, for the last five years, have been stuck in the train tracks with the way the cladding scandal has played out. There is a freight train coming towards them, which is the Building Safety Bill. We could find that leaseholders pull their feet out of the train tracks and then are hit by the Building Safety Bill, which could continue to blight the property market for years to come for high-rise residential buildings.

Q106 **Chair:** To follow up back with Liam, you heard the conversation we had with our previous witnesses, which neither Ben nor Andrew heard, I think, about the replacement for the consolidated advice note. I think it was John Mulryan who said to us that really the regulator ought to decide which buildings need to have fire risk assessments done. Currently, the proposal is that the owners should decide, but owners are not qualified to decide, so we could get into another real problem there. If the owner is making a decision they are not qualified for, then the insurers or lenders do not agree with that, we are going to get no further forward. Have you any ideas about where responsibility should be put for deciding which buildings are at risk and need this assessment doing?

Liam Spender: The only way you do that is you give a central body the power to set the standard and make sure whoever is doing the inspection meets the standard, so the same way you would mark an exam. Then you ensure consistency of decisions. Getting a regulator with teeth is part of the solution. Fixing the conflict of interest I have been referring to during this evening's session is the other part of the solution.

Q107 **Chair:** Have Ben or Andrew any further comments?

Andrew Bulmer: I would agree that it is a regulator. The regulator should set the standard and the methodology for making sure that those that are undertaking the risk assessments adhere to that standard, so that would make complete sense.

While we are on the subject of conflicts of interest, I will also mention that another regulator should be the RoPA regulator. If we are going to have lots of money sluicing through managing agents' hands, we would very much endorse and support the statutory regulation of managing agents to make sure that any possible conflicts are well managed.

Chair: That is helpful.

Ben Beadle: I would agree with everything that Andrew has said. For the sake of time, I will not repeat it.

Q108 **Chair:** Finally, a nice easy question: is there anything that was not in the Secretary of State's announcement that you would have liked to have seen?



Liam Spender: There is the occupation phase of the Building Safety Bill and Mr Bulmer will be able to tell you what the Building Safety Alliance have been up to with building safety managers and building safety charges. That needs radical overhaul, otherwise high-rise flats will be blighted for years to come. That needs to be looked at in detail in the Lords phase and resolved so the balance is redressed in leaseholders' favour.

Q109 **Chair:** There is an in for you, Andrew, to follow on from that.

Andrew Bulmer: We have concerns about the cost and the regime around the building safety manager. We have to make sure that buildings are managed safely, but that needs to be done in a proportionate way and at a reasonable cost. We are interested very much in that concern.

Ben Beadle: It will not surprise you to know that our view is that buy-to-let landlords are no more to blame for the cladding crisis than other types of leaseholders. Ministers have failed to provide any explanation of why landlords should be treated differently from other leaseholders who are owner-occupiers. The exclusion for this is pretty outrageous.

Chair: You have been nothing if not consistent in that point, Ben, throughout that. Thank you all very much indeed for coming to give evidence to the Committee. That is really helpful. We are going through quite a rapid session of hearings, followed by a report, to try to affect where the Government finally get to with their amendments in the House of Lords and then back into the House of Commons.

Thank you very much indeed. We appreciate you altering your schedules to fit in with our different timing because of other events in the House today. Thank you very much indeed.