



Levelling Up, Housing and Communities Committee

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

Wednesday 2 February 2022

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

Questions 110-172

Witnesses

I: Kate Henderson, Chief Executive, National Housing Federation, Geeta Nanda, Chief Executive, Metropolitan Thames Valley, and Chair, G15, and Councillor Rachel Blake, Member, Community Wellbeing Board, Local Government Association.

II: Richard Collins, Interim Chief Executive, Royal Institution of Chartered Surveyors, James Dalton, Director of General Insurance Policy, Association of British Insurers, and Charles Roe, Director of Mortgages, UK Finance.

Examination of witnesses

Witnesses: Kate Henderson, Geeta Nanda and Cllr Rachel Blake.

Chair: Welcome, everyone, to this morning's session of the Levelling Up, Housing and Communities Committee to look at building safety remediation and funding. We are particularly looking at the statement that the Secretary of State made on 10 January about potential new ways of raising money, and which buildings might be affected. We have two panels this morning of three witnesses each. Before I come to the first group of witnesses, I ask members of the Committee to put on record any particular interests that may be relevant to the inquiry. I am a vice-president of the Local Government Association.

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

Ian Byrne: I employ a councillor in my office.

Matt Vickers: I have family members who are councillors, and employ a



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councillor in my office.

Ben Everitt: For the second panel, I am chairman of the APPG for housing market and housing delivery, and we were treated to a conversation with Richard Collins last week as part of a roundtable.

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

Q110 **Chair:** Other colleagues may join us who have previously declared their interests, which I think will be the same for this inquiry. Welcome to our three witnesses on the first panel. Please introduce yourselves and say who you are representing.

Kate Henderson: I am Kate Henderson, the chief executive of the National Housing Federation. We are the voice of housing associations in England.

Cllr Rachel Blake: I am Councillor Rachel Blake, the deputy mayor in the London borough of Tower Hamlets, representing the Local Government Association.

Geeta Nanda: I am Geeta Nanda, chief executive of the Metropolitan Thames Valley housing association and chair of the G15 housing associations.

Q111 **Chair:** Thank you very much for coming. I have referred already to the announcement by the Secretary of State on 10 January. Tell us briefly, in general terms, what your assessment is of that announcement.

Kate Henderson: The Secretary of State's announcement on 10 January takes an important and significant step forward in tackling the building safety crisis, and in particular resolving the distressing situation that thousands of leaseholders have been living with for a number of years. The National Housing Federation agrees that those responsible for the building safety crisis should make a major contribution to funding remediation. Innocent leaseholders should not have to pay for building safety issues created by developers, contractors and manufacturers. We also support efforts to protect leaseholders from the broader impact of the crisis.

We welcome confirmation from the Secretary of State that leaseholders in buildings owned by social housing providers will have access to the new funding, and we want to work very closely with the Department to ensure that there is the clarity needed for vital building safety work to proceed now, and that there is a balance between our shared objectives, which are meeting social housing need and tackling the building safety crisis.

Cllr Rachel Blake: The Local Government Association really welcomes the announcement on 10 January, in the way that it is taking away a huge amount of stress and concern for leaseholders. Clearly, the Local Government Association has several particular areas of concern on building safety—first as stock-owning authorities, secondly in our role with enforcement, thirdly in our role in maintaining our own stock in the wider



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sense, and fourthly in terms of the way that local authorities are at the heart of communities and seeking to be a key part of the levelling-up agenda and creating thriving places.

We have two particular remaining concerns that have not fully been covered by the announcement. The first is about fire safety costs that do not come into the category of cladding. The second is that leaseholders are not the only victims of the construction industry's failure to build safe homes. We should also be seeking to cover the costs of social landlords, because failure to do so is exposing housing revenue accounts.

Geeta Nanda: I will echo some of what has already been said. We absolutely think that it is a step in the right direction. We have consistently called for leaseholders to be protected from these costs and want to make sure that homes are absolutely safe. That no leaseholder will have to pay for the removal or replacement of defective or dangerous cladding on buildings over 11 metres is absolutely overdue. We need that to happen. Also, those who are responsible for causing the building safety crisis must be the ones who meet the cost of fixing the buildings. That is absolutely right. We, as housing associations, have rigorously been pursuing developers and contractors in order to remediate these works, so we look forward to further recovery in that respect.

Our focus really needs to be on restoring proportionality to the system. It is crucial. Many people have been caught up, as we know, in this whole event as a result of lenders, insurers, bodies and surveyors having different views on what has already been announced. We echo Rachel in terms of what is remaining. There are issues far beyond the cladding system that need to be resolved.

At the G15, we have done some work and have found that over half of the remediation costs are from non-cladding works, so that is an estimation that we have already made. As the G15, we have already spent £450 million on building safety works in the last couple of years: we have taken action quickly in order to provide safety for our residents, and this has already had an impact on our ability to build new affordable homes and on services for our residents. It is really important to combine those.

Q112 **Chair:** Have we had the breakdown of those costs sent to the Committee?

Geeta Nanda: We can give that to you.

Q113 **Chair:** That would be really helpful, thank you. We will come on to the issues of proportionality and the impact on social housing in a bit more detail in due course.

Just a final question from me for each of you: who should pay? Very simply, which organisations should pay, and are any of those organisations ones that the Secretary of State currently does not appear to be engaging with as part of his efforts to raise money?

Geeta Nanda: We believe that those who were responsible for building the buildings should be the ones that pay.



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Q114 **Chair:** That is down to the individual buildings, but in general terms as a whole—because there will be some buildings where the original developer has gone bust and gone out of existence—who should pick up the costs?

Geeta Nanda: We think that the contractors and developers should be picking up the costs, not leaseholders.

Cllr Rachel Blake: We think it is the developers and contractors. I know that you spoke to developers on Monday, and I think you've got the insurers coming later on today. We think there is still some more work to be done with the insurers to consider some of those options as well.

The scale of complexity with this is so significant. Just last week, I was meeting with some leaseholders in my area, and for what we would consider one block with three areas, there needed to be eight or nine people in the room, each of which has a particular role in this, whether it is the developer, the now asset owner or the manager of the building. You have spoken already to the developers and the construction industry, but the Local Government Association believes there is more work to be done to talk to insurers as well.

Chair: And product suppliers?

Cllr Rachel Blake: And the product suppliers.

Kate Henderson: The National Housing Federation agrees that those who have profited from the crisis should make a major contribution to funding the remediation that is needed. Very clearly, innocent leaseholders should not have to pay for building safety issues that were created by developers, contractors and manufacturers. We think that those developers, contractors and manufacturers who were responsible should pay.

On the point that Geeta made about the G15's contribution to rectifying and remediating buildings already, not-for-profit housing associations have already spent millions of pounds on building safety, and the final total in the next decade is likely to run into billions of pounds. There is no additional funding in this announcement for homes where social renters live.

Chair: Moving on to the remediation of social housing blocks, I call Andrew Lewer.

Q115 **Andrew Lewer:** How will the announcement affect the funding available for the remediation of social housing that has historic building safety defects?

Kate Henderson: We welcome the Secretary of State's commitment that leaseholders who are in buildings that are owned by a social housing provider will be able to access this new fund for buildings of 11 to 18 metres. However, across the country, the cost of remediating our sector's homes is likely to be close to £6 billion, and depending on the number of buildings that fall into the scope of 11 to 18 metres—this depends on the proportionality in how the new guidance is interpreted—it could, in effect,



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be above £10 billion. That is going to mean diverting money away from other key areas, such as building more affordable homes and making routine improvements to existing homes.

Just to give you an example of the extent of this, I recently visited Evolve Housing. It is a housing association that provides housing and support in Croydon to 1,300 people who have experienced, or are experiencing, homelessness. It is building Alexandra House—an 80-bed, supported housing service for vulnerable homeless people. In effect, it is having to be rebuilt because of building safety defects. That is costing around £2.5 million. Currently, Evolve is having to cover those costs itself, with money that it planned to use to build a new development for vulnerable homeless people.

It is really important that we are clear that there is no money for remediating buildings with social renters in them. It is really important that we work with the Government to assess how the works on housing association buildings are going to be funded, and consider how we balance the need to make these buildings safe—absolutely—with the need to provide much more social housing and to improve existing social housing.

Cllr Rachel Blake: In terms of the costs that are anticipated—I am speaking now about the Local Government Association in terms of stock owning—we have done some analysis of local authority business plans which estimates that over 10 years, we anticipate that £8.1 billion is needed for the social sector within stock-owning local authorities. That is over and above what is already programmed within business plans. That is an estimate, based on items such as sprinklers, which would need replacing over that period of time. That is additional funding that currently is not in business plans. If it had to be found within business plans, it would have an impact on doing other things within our own stock, such as repairs, investment in communal areas and, of course, building new homes.

Geeta Nanda: The G15 has already spent £455 million in essential building safety works. Because we started the activity a while ago and have been very thorough in the work that we have been undertaking, that means that we can't access some of the wakening watch funds that are already out there, because that work was pre when the fund was available.

We have an expectation that, on a gross level, we will need to spend £3.6 billion. That is activity that goes out up to 2036, in terms of our plans.

We expect to spend about £108 million over the next 10 years on buildings over 18 metres. At MTVH, as an example, we have 74 buildings over 18 metres high, and approximately 245 between 11 metres and 18 metres. If you take the wider estate, we have 4,300 buildings in multiple occupancy. We are focusing on proportionality and the estimates of cost are very much based on what we have already discovered in existing buildings and extrapolating that out over a wider period. The impact is



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obviously being built into our business plans and it will impact on new homes and on services as well.

Q116 Andrew Lewer: I want to explore that point a little further. You have referenced being thorough, but you have also referenced being proportionate. The Government have said that they want to restore common sense to the assessment of building safety overall and that there should be greater use of sensible mitigations like sprinklers and fire alarms and so on, in place of unnecessary and hugely expensive remediation work. As a result, they have withdrawn the consolidated advice note. You have already touched on this, but I would like to explore a little further how that is going to affect the number of social housing buildings that require remediation.

I am just exploring the difference between what is needed and what you may have looked into that would be ideal, and how you make some sort of assessment of the difference between the two. We could all spend billions on remediation in an ideal world, but we don't live in an ideal world, and huge amounts of expense going on this means less money for dangerous road junctions, chemotherapy or something else. I am just interested in the impact of the withdrawal of the consolidated advice note, and how that affects how you go about remediation work or intend to do so.

Kate Henderson: We firmly support having an evidence-based approach to assessing and managing risks in buildings. Safety must be the first priority. The housing association sector has followed Government guidance very closely ever since the fire at Grenfell Tower.

We support the publication of the new specification, the PAS 9980, from the British Standards Institution. We hope it will lead to fewer buildings falling into scope of the crisis. The Government have carried out their own survey of buildings under 18 metres. We urge the Department to release this data, so that it can support us in making decisions around this. We also hope that the Government will closely monitor in close-to-real time the application of the PAS 9980 to understand its impact on the number of buildings under 18 metres that need to be inspected and remediated.

We absolutely welcome proportionality, but it would be very helpful to get the survey data from Government and to have the Government monitor, in as near as possible to real time, the impact of the new guidance.

Cllr Rachel Blake: There were a couple of things in your question to pick up on. First, on the impact on social housing and new builds, we have talked about some big numbers that need to be put into that. There is a loss of investment in new homes. I would like to make two points on your question about proportionality. The first is about the cost of having local authorities as enforcement agencies working with the fire service and the HSE, because being proportionate and having a common-sense approach requires investment in staff who can do that. I have some examples of what local authorities will be investing in order to do that—within both their own stock and private stock. My second point is about the need to



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commence the Fire Safety Act as soon as possible in order to support the assessment of those buildings.

To give a couple of examples, Sheffield is, within its housing revenue account, looking to invest £600,000 in officer time for building safety, and it is estimating £50 million on top of planned investment for fire safety. The £600,000 is going into the building safety team, so that we have that common-sense approach. We need to recognise the cost of the officer time, as distinct from the billions that are needed on the stock. Camden is looking at £1 million on building safety compliance. When we submit our written evidence, we can supply more examples of the scale of that, in terms of officer time. In Tower Hamlets we are investing over £600,000 in a team to work on the private sector. My point about proportionality is that it takes officer time to have the common-sense approach, and that has the knock-on effects that you have described.

The Government really need to commence the Fire Safety Act as soon as possible in order to support enforcement. I don't know whether the Committee will come on to this, but we need to talk about the skills available to carry out the assessments. We need the Fire Safety Act to be commenced as soon as possible to ensure that we have the skills available to do some of those assessments.

Geeta Nanda: We have done some assessment of the number of our residents that have been caught up in the issues around the EWS crisis. We have around 22,000 residents living in buildings that require an EWS1 certificate. Many have stopped applying because they know that the building has an impact overall, and 1,000 mortgage transactions are on hold, because people are unable to secure an EWS1 certificate. We absolutely support the withdrawal of the consolidated advice note, but it is really about what happens thereafter and ensuring co-operation of surveyors and mortgage lenders in resolving issues, so that people can get on with their lives and move and sell their homes. Having looked at PAS 9980, we are very confident that this will help move things forward, but we also need to see how it fits in with the Building Safety Bill and the Fire Safety Act. As for buildings that will need a fire risk appraisal of the external wall, it still looks as though that will continue through the PAS 9980. Again, it is about ensuring that all parties are very clear about responsibilities and how that guidance is interpreted going forward, so that we can make sure there is that proportionality, and I think surveyors are critical in that.

Q117 **Andrew Lewer:** Indeed. You have all used statistics and so on. Do you have any estimates of building numbers in the social housing sector, or remediation costs that you have not shared with us that you would like to share? If you have, just say so, because we are time-sensitive.

Kate Henderson: One thing we did—we will share this with the Committee in our written evidence—was a survey of housing associations back in October last year, which looked at the impact of building safety costs on the delivery of new affordable homes, as well as investment in existing services. I think around 106 housing associations—we will clarify



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the numbers—responded to that survey. It found that more than one in 10 new affordable homes to rent or buy in England can no longer be built over the next five years due to building safety costs, because there is no funding for social housing.

Chair: We will come on to the building of new homes in a minute.

Q118 **Andrew Lewer:** I have a final question for Kate about the NHF. It said it is in talks with the Government to clarify how housing associations could access this new £4 billion fund, and I wonder if you can give us an update on how those talks are progressing.

Kate Henderson: I spoke to the Minister for Building Safety and Fire on the day of the Secretary of State's announcement, and since then, I have had multiple conversations with civil servants. We understand that the NHF will be invited to speak with Ministers and officials in greater detail in the coming weeks, and we are looking forward to that invitation.

Chair: Moving on to the issue of the effect on the building of new social and affordable housing, I call Florence Eshalomi.

Q119 **Florence Eshalomi:** Good morning. Apologies for my lateness. You touched on the survey that you carried out with a range of housing associations last year, Kate. Obviously, one thing about the additional cost is the impact it could have on new and existing homes. Like many other London MPs and MPs across the country, I receive emails from both private and social housing residents on backlogs in repairs or outstanding delays—some of the basic stuff that housing associations and councils should be carrying out. None of those repairs seem to be happening. What impacts do you think the announcement will have on existing homes and repairs?

Kate Henderson: That is a really important question on the role of housing associations, which is not just to build new homes. It is absolutely one of our objectives to build homes for people on the lowest incomes in this country, but it is also our objective to provide good services and support to residents in the communities in which we are working. The safety of residents is, and will always remain, a priority for housing associations. The bill for works that will fall on us—on not-for-profit organisations—will total into the billions, so there is a balance to be struck. It must not only be safety or emergency repairs. We absolutely must keep the homes we own and manage well maintained.

We need to provide a good service to residents—the service that they expect. However, there is no funding for the remediation of homes where social residents live. I gave the figure for the impact on development—one in 10 lost. In that survey of 106 housing associations, the housing associations said they were having to divert £730 million away from routine improvement works. Those are things like upgrading bathrooms and kitchens, not emergency or other repairs, which residents should expect to be done in a very timely way; these are long-term planned investments, but that money is being diverted away to pay for essential building safety works.



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Q120 **Florence Eshalomi:** Is that on top of the money that housing associations can recoup from leaseholders, but not from social tenants?

Kate Henderson: Housing associations are paying for this out of their budgets—out of surpluses.

Q121 **Florence Eshalomi:** My understanding was that housing associations can claim for remediation work if they pass the cost on to leaseholders. Some tenants have seen their service charge and rent increase, and that has been used to cover it, so in a way there isn't parity between leaseholders and tenants.

Kate Henderson: Social renters' rent is paid to the housing association to cover their accommodation and the services associated with the building. The money that goes into the housing association's business plans would usually be used for both emergency repairs and services and longer-term planned investment. Some of that money is diverted away. We do not think leaseholders should be charged for the cost of remediation. Neither should social tenants.

On leaseholders, when it comes to mitigating these costs, we are doing everything we can to pursue developers, contractors and manufacturers. That is why we welcome the announcement from the Secretary of State and the reset on building safety; there will be new funding for buildings from 11 to 18 metres. We have to work through the details of that, but leaseholders will not have to pay, and that includes leaseholders who live in buildings owned and managed by social providers.

Cllr Rachel Blake: It is really important to highlight that we risk some of the poorest people living in social housing having to take on these costs. It is really important to emphasise that. Everybody on the Committee will have constituents who face these costs as a result of some of the risks that you have just described. It is important that we focus on that and understand the risks that we face there.

I draw the Committee's attention to the possible impact of the building safety levy. Social housing providers are not exempt from the building safety levy, which was out for consultation until the end of last year. The Local Government Association has a real concern about the impact that that will have on social housing providers, should they be eligible for it. I understand that the building safety levy is designed to contribute towards that £4 billion.

There is concern about the negotiations; about the impact of the building safety levy on the supply of genuinely affordable homes; and about how the levy interacts with the viability system in planning applications, because developers come forward with an application, and payment of the building safety levy is part of the viability assessment. There is a real risk that that comes off the affordable, and that is a really serious issue to consider in depth.

Q122 **Florence Eshalomi:** Do you feel that we are already seeing the impact of that across local authorities? There is a planning backlog in a number of



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local authorities; I am sure the situation is similar up and down the country. Planning departments have been stripped down. If developers are willing to come forward but there is an issue re: assessment viability, could we find ourselves back at square one in a few years' time, after having passed a number of these applications?

Cllr Rachel Blake: Local authorities will do what they can in terms of planning applications for remediation and—once the Fire Safety Act is commenced and the Building Safety Bill comes forward—ensuring compliance. You are absolutely right: there will be additional roles for local authorities in processing them, and the building safety levy could be one of those, depending on who the levying authority is.

A real issue we face in providing building control services is getting the staff. The Local Government Association has found that the average number of people working in building control has dropped from 17.1 full-time equivalents to 11. That demonstrates the scale of the staffing, skills and resource impact.

Q123 Florence Eshalomi: Geeta, you touched on some of the figures across the G15 housing associations. It has been suggested that the Department for Levelling Up, Housing and Communities budget will be the backstop if a funding agreement is not reached with the industry. What impact would that have?

Geeta Nanda: It would have a devastating impact on all those who need a home, given that housing need is absolutely soaring across the capital. We have already seen each of the G15 housing associations take out thousands of homes from their programme in order to meet the needs of safety, because obviously safety comes first. Any further cuts would be devastating to those who need housing.

At the moment, we are able to access the building safety fund for buildings over 18 metres and where leaseholders are impacted, so any extension of the fund and of the money that we can access will allow us to put more money back into building more affordable homes. It is critical that we have access to the funds, and that this goes broader than cladding and impacts on all remediation. That way, we can get back to building more homes.

Q124 Florence Eshalomi: Lastly, to all three of you, what alternative backstops do you think the Government should probably consider?

Kate Henderson: It was really concerning to see that letter from the Treasury to the Secretary of State and a kind of direction to use existing departmental budgets as a backstop. As a sector, we took this to mean that the affordable homes programme was potentially under threat. It is incredibly important that we work with Government to realise our shared objectives. We should not be playing building safety off against the wider housing crisis. Millions of people in this country would be so much better off, in terms of life chances, quality of life, health and wellbeing and educational attainment, if they were in safe and secure social housing. Yes, it is really important that we fix the building safety crisis, but



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absolutely not at the expense of providing homes for those in housing need.

Geeta Nanda: One thing we have suggested is, for housing associations, removing the VAT from the works. That would mean a significant uplift to the additional works we could do.

Cllr Rachel Blake: This demonstrates just how much pressure there is to make sure that these negotiations between developers and DLUHC take place. There is a really short timeline for these conversations to take place. If you think about the number of people affected by the quality of the negotiations, which are due to finish before the Easter recess, it is really important that developers and the industry come forward with a solution. I have described some of the concerns that the LGA has about what will make up the £4 billion, but if you think about the number of leaseholders who are trapped and the number of homeless families who are waiting for a new home, it just demonstrates how important the negotiations are.

Florence Eshalomi: Thank you. Perhaps we can try to get the £4.3 billion that was lost, in covid money, to all our councils up and down the country. I will leave it there, Chair.

Chair: We will move on to look further at the impact on social housing tenants. Mohammad Yasin.

Q125 **Mohammad Yasin:** The Government have announced that leaseholders will be protected in law from the future costs of remediating building safety defects. Where does that leave social housing tenants? What is their future? Kate, do you want to start?

Kate Henderson: We support the Government's intention of protecting leaseholders from these costs. Leaseholders are innocent; they did not cause the building safety crisis—but neither did those who live in or need social housing. As to the consequence of not having funding for the remediation of homes where social tenants live, it will impact both on planned investment in existing homes and on the supply of much-needed new affordable homes. The survey I mentioned showed that just over one in 10 new affordable homes will not be built because housing associations are having to divert funds away from development and into remediating buildings. We also know that housing associations are having to divert funds from routine planned investment.

I want to reassure the Committee, and I am looking forward to the session next week on the quality of social housing and on consumer regulation. It is vital that we provide a good service. On longer-term routine investments, some of that money is inevitably being diverted away into remediating buildings, because safety is paramount and there is no funding from Government for the remediation of properties without ACM that are under 18 metres and are occupied by social tenants.

Cllr Rachel Blake: It is critical to remember that we are talking about some of the poorest people across the country who could be affected by



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these costs. As one Member has mentioned, there is the impact on service charges, but there is also the loss to investment in their homes and investment in spaces around their homes, whether that is playgrounds or paths around estates. We also need to think about homeless families who are at risk of not being able to be housed because of a loss of investment in social housing going forward. That is critical to remember as well. Finally, there is making sure that social tenants have access to information to be able to have a say in terms of the works that are due to take place.

It is really important to remember here that we are talking about the amount of fire safety works that are not specific to cladding. I just want to bring that point back again. If we look at the type of buildings that are particularly affected by certain cladding, older stock may be affected by different fire safety risks, whether that is compartmentalisation or a need for new fire doors. Written evidence submitted by the Greater Manchester High Rise Task Force has estimated that it is about 50:50 in terms of the scale of the need. That could affect current social tenants significantly in terms of the type of remediation needed for homes.

It is making sure that we are addressing the funding not just for cladding, but for different types of remediation, and thinking about future social housing tenants and families who at the moment are struggling in temporary accommodation, not able to live near their families. These are some of the poorest residents currently living in social housing. They should not have to pay for this.

Geeta Nanda: Currently, private landlords can access the fund for renters and we can't access the fund for our renters. The impact is in the figures we have described as the current amount we are spending on fire safety and building safety works, which we could be spending on new homes or improvements to people's existing homes. We are seeing the impact on renters. It may not be direct, in the way that leaseholders could be charged for works, but it is indirect, in new homes, in improvements to homes and in what we as social landlords can do. It very much does impact on renters.

Q126 **Mohammad Yasin:** What is the impact of the announcement on the maintenance of existing social housing stock?

Geeta Nanda: All landlords are trying to protect their repairs budgets and the work that they carry out. If there is a big bill that comes in, and that particular social landlord hasn't got the capacity within their income, then, as Kate said, the planned works programme is more likely to be affected within that. It does depend on each individual social landlord and their circumstances.

Kate Henderson: We are absolutely committed to ensuring that all residents have a good quality of service. However, without additional funding for the remediation of social homes, we will have to find that money from elsewhere, and that may well be diverting money away. That is not just from planned longer-term investments. Housing associations don't just do bricks and mortar. They support people with education and



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training; they provide welfare advice; they support people with their physical and mental health; they provide after-school clubs and holiday camps. They do a whole range of other activities. It is about those budgets, when there is such extreme pressure on ensuring safety, because that has to be the top priority, and it is that money being diverted away.

As Geeta said, it will be different in different housing associations, depending on the challenges they are facing, but without additional support from Government, there is absolutely going to be a consequence for the longer-term investment in homes and in those vitally important services as well.

Q127 Ian Byrne: I am listening to the excellent evidence that you are giving, and I want to reflect on that by asking you a simple yes or no question. Would you agree with the statement that, at the moment, a social housing tenant is excluded from the “polluter pays” principle and is actually paying through their rent and service charges? Although we have won a battle along the way for the leaseholder on the “polluter pays” principle, it seems to me as though the social housing tenant is actually paying for the remediation work.

Geeta Nanda: The landlords are paying at the moment. Social housing residents have a rent envelope as the rent set, so it is the landlords who we are paying at the moment for those additional works.

Q128 Ian Byrne: But indirectly, they are paying.

Cllr Rachel Blake: You are right: it is the rents that are coming into business plans, and the rents will be part of works programmes. In this instance, it is important to draw a distinction between what was expected prior to the building safety crisis and what has been responsible work for many years within council housing and stock-owning authorities in terms of a continuous fire safety programme, which local stock-owning authorities would have had. That is what you would expect, and I think that is reasonable in terms of rent paying. But what I think you are saying is that they are currently paying for things that are not their fault.

Kate Henderson: The premise of the “polluter pays” principle is about going after those who are responsible for causing the building safety crisis and who are at fault, and we support that. Leaseholders did not cause this. They are not responsible and are not at fault, but neither are social renters and people in housing need.

Chair: Thank you. Finally, we are moving on to Matt Vickers to look at the funding arrangement with the industry.

Q129 Matt Vickers: The Secretary of State has imposed a deadline of March to agree a funding arrangement with developers and the construction industry. What would you like to see in that funding arrangement?

Kate Henderson: We welcome the Secretary of State’s negotiations with those who are responsible for causing the building safety crisis. What we would like to see is the detail of how this is going to work in practice. We absolutely welcome the “polluter pays” principle, but what will this cover?



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Beyond cladding, will it cover other defects? How will it work in practice? We would like to see a more proportionate approach to risk within that, but ultimately we support the approach. A good outcome from these negotiations would be sufficient money to cover the costs of leaseholders who are in high-risk buildings that are of medium height.

Cllr Rachel Blake: I would like to make three observations. The first is around the actual contributions to the fund and what the access to the fund should be. As I have said before, it is vital that the social rented housing sector has access to that fund. I would like to say what I have said before about the building safety levy and the funding arrangement that they will be working so hard on over the next few weeks. They have not decided who is going to raise the building safety levy and who will be the levying authority. They have not decided the level at which it will be raised. They have not worked out what the impact on the viability of new homes will be. I want to see that come forward, because there is a huge amount of work to do to make sure that that does not have a really significant impact on the delivery of new homes.

We would also like to see a clear confirmation from the Government in the agreement with industry that the Building Safety Regulator, which is a core part of the new system, will not be covered solely by cost recovery. As I described earlier, this is about the investment that local authorities are making—not just in teams—to make sure that their own stock is compliant, but it is also about getting building safety teams to make sure that private buildings within their authority areas are safe. We need to see a properly funded agreement for the Building Safety Regulator.

Geeta Nanda: We really welcome the Secretary of State's commitment to engaging with developers and product manufacturers to make sure that the costs are met and that they have that responsibility. Housing associations have already started pursuing contractors to recover costs, and there are different levels of engagement in that recovery. The Government should have some kind of legal recourse in place, should voluntary contributions not be forthcoming. Our being able to access the fund for the cost of all remediations required, not only for cladding, is really important.

Q130 **Matt Vickers:** The Secretary of State has held meetings with developers and the construction industry. How are the Government engaging with housing associations and local government around the funding arrangements?

Kate Henderson: We have been engaging since the announcement. On the day of the announcement, I had a call with the Building Safety Minister. Since the announcement, I have been in regular dialogue with civil servants. There is a separate process of negotiation with the developers from that with the social housing sector, but we have an absolute commitment and ongoing dialogue within the Department right now. We look forward to further engagement on this with the Secretary of State as well.



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Cllr Rachel Blake: The Local Government Association is working closely with the Department. It is also a key and active part of remediation currently. We have a joint inspection team that supports local authorities in dealing with cladding specifically. We are working closely.

Geeta Nanda: I echo that. We are working closely as well.

Matt Vickers: Fantastic, thank you.

Q131 **Ian Byrne:** Starting with Geeta, was there anything else you would have liked to have seen in the announcement?

Geeta Nanda: The thing we would like to see is that we have access to the fund for all remediation costs. I know I said that, but I will say it again. It is really important for our social rented tenants. Only 50% or so is cladding costs, so it is really important. I also think that, having acted swiftly as organisations, we have incurred waking watch costs. In order to not pass those costs on to leaseholders, we think we should have access to that fund. We do not have access to that waking watch fund at the moment where we have not passed on costs to leaseholders. We think that is really important as well.

There is also speed of delivery. At the moment, we are dealing with—just as one individual organisation—a number of contractors and developers. We are trying to look at the remediation of a large number of buildings. That is complex. It is difficult. It takes time, but time is not what we have with many of our residents. An increase in skills and resources to be able to deal more swiftly with this issue is really important.

Cllr Rachel Blake: We talked about the amount of pressure on the negotiations to make sure that they bring forward a sustainable funding regime. The alternatives are a real risk. It would have been nice to make sure that the departmental budget is not a backstop. We would really have liked to have seen that. It is critical that those negotiations come through successfully. It is critical that social housing providers are exempted from that building safety levy. There is a huge amount of work to do to make sure that does not have a very negative impact on the supply of genuinely affordable homes.

We also want to be clear on this. We talked a little bit about the common-sense approach. Height is not the best indicator of risk. A number of buildings below 18 metres have had fires, but the Building Safety Bill will apply only to buildings over 18 metres. The Local Government Association has previously tabled amendments around this. We ask that the Bill is amended in Committee to make sure this goal is realised. We would have liked to see that too.

Kate Henderson: The starting point of this—that those responsible for building safety defects should pay to fix the building safety crisis—is right. We are pleased that the Government are taking a big step forward to protect leaseholders from costs. However, there is so much detail to be fully understood about how the funding will operate. What can that funding be used for? How will the new process of assessing building risk



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work in practice? As ever with this crisis, speed, clarity and certainty are of the essence. We need urgent and decisive action. It has been over four years—four and a half years—and these are people’s lives. These are leaseholders living in misery, who have been experiencing a huge amount of stress. We would absolutely call for speed, clarity and certainty.

We are committed to working with you and with the Government on the detail, particularly on the unique case of social housing providers in this crisis.

Chair: Thank you all very much for coming this morning and giving us very clear evidence about the concerns you have and what you would like to see done to put them right. Obviously, if things change in any way in the next few days, either for better or worse, in terms of your opinion, then please drop a note to the Committee and we can take that on board as well. Thank you all for coming this morning—we appreciate it.

Examination of witnesses

Witnesses: Richard Collins, James Dalton and Charles Roe.

Q132 **Chair:** Good morning and thank you all very much for coming this morning; it is appreciated. We are exploring the issue of building safety, remediation and funding, particularly in the light of the Secretary of State’s announcement on 10 January.

I will go down the table and ask you to introduce yourselves and say the organisation you represent.

Charles Roe: I am Charles Roe, director of mortgages at UK Finance. We represent 150 mortgage lenders in the UK.

Richard Collins: I am Richard Collins. I am the interim chief executive at the Royal Institution of Chartered Surveyors. We represent 130,000 surveyors across the globe, but in particular 13,000 members who are valuers in England and Wales.

James Dalton: I am James Dalton. I am the director of general insurance policy at the Association of British Insurers, representing insurance and long-term savings providers.

Chair: Thank you very much for coming. To begin looking at the announcement to which I just referred, Brendan Clarke-Smith.

Q133 **Brendan Clarke-Smith:** Good morning, gentlemen. The Government made an announcement on 10 January relating to building safety. Could you briefly tell me your assessment of that announcement and how you felt about it at the time? Can we start with Charles?

Charles Roe: UK Finance and its members welcome the announcement. We think it is a very positive step forward. We have always maintained that the leaseholders shouldn’t have to pay for these remediation



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problems, which are outside their control and their remit. They bought their properties in good faith.

We want to work with Government, and we are working with Government, to try to resolve this issue, but the announcement does create some further questions in relation to the fund. For example, will the fund cover non-cladding items? We know there a number of those that need to be resolved. When will residents be able to access those funds? Will it be when the fund is populated or will they be able to draw down on the funds coming in from the builders in the future? Will buy-to-let owners be able to access those funds? We have heard that buy-to-let owners and landlords may not have access, and that is a concern for lenders.

We welcome the announcement, and we are working with Government on the issues I have raised.

Richard Collins: Rather than repeat what Charles has said, RICS is in exactly the same position. We absolutely welcome the announcement, particularly in relation to leaseholders not paying for the remediation work, but the thing we really welcome is the energy and the sense of impetus towards finding a solution. We are almost five years past Grenfell and that energy needs to continue through.

There are still questions and details to be resolved, but for me the important thing is the energy and impetus behind this process now. We are absolutely determined to work with Government as part of the process to help find a solution.

James Dalton: I and the insurance industry also welcome the announcement. I would echo the comments just made. There is a demonstrable sense of urgency to solve some of the challenges that people have been working on. What was welcome from an insurance industry perspective was the clarity on the professional indemnity insurance scheme that the Government have been working on and to which we have been providing significant support to help get off the ground, for those professionals involved in the EWS1 process. The challenge that we are all trying to grapple with is getting enough money into the pot, but then having a conversation about what the pot is going to pay for.

I am giving evidence to this Committee for the third time now. I'm sorry, but I am going to make the same point that I have made before, which is that we have always maintained the view that the issues that have emerged in the post-Grenfell environment are much broader than cladding. There are wider issues associated with combustible materials, cavity walls, and so on. Should the fund pay for those buildings to be remediated as well? The second thing is that our view has always been, and continues to be, that money should be made available to fix all buildings rather than just buildings that are 18 metres-plus.

Q134 **Brendan Clarke-Smith:** I will follow on from that. In your view, who should be responsible for paying for the remediation of the historical



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defects that you have just mentioned, and are there any industries or bodies that you think should be funding it but that the Government have not engaged with and considered so far?

James Dalton: From what I have seen and been involved in, the Government have got the right groups of stakeholders around the table. Ultimately, it will be for the Government in particular to determine who should be contributing. The announcements that the Secretary of State made on the 10th provide additional and useful clarity on that.

Richard Collins: This was a systemic failure across the whole industry. Organisations and companies that were involved in the process of developing and building these flats clearly should be contributing, as should the producers of the materials that were not up to standard.

We also need to remember that where there is a particular building and a particular developer is clearly at fault, they should be doing the right thing and taking steps to remediate that building, not simply relying on the collective fund to sort the problem out. We would say that the broad group of people who have been identified seem to us to be the right ones, but as the discussions move forward the Government should be open to identifying whether additional parts of the industry should be contributing.

Charles Roe: I agree with my colleagues. UK Finance and its members very much believe that the polluter should pay for this. The discussions that we understand Secretary of State Gove is having with the builders and the product manufacturers, the construction industry and the redevelopment industry, which should be included as well, is the right area to focus on, particularly if you think about the leaseholders, who are the innocent parties in this. They are the ones at the moment who are unable to move on with their lives and buy and sell property as any normal person would be able to.

Q135 **Brendan Clarke-Smith:** My final question is quite a relevant one for you, James. Forgive me if it seems like a silly question. What is your view on the suggestion by some that insurers in the industry should be made to contribute financially to the cost of remediation, whether that is through claims or a levy? How does your industry feel about that?

James Dalton: I am not going to surprise you by saying that we do not support that. The reason is that insurers have not built any of these buildings. Insurers rely on a regulatory framework that works and is fit for purpose. What is demonstrably clear, including from the Government's independent review, is that the entirety of the regulatory system failed. There was a systemic failure, as my colleague has just said, but insurers rely on that system to accurately price their policies. Insurers did not build any of the buildings. Insurers did not produce any of the combustible materials. Insurers did not sign off any buildings as being safe.

The other really important thing is that insurance is a contract-based system. I contract with you, as a customer, to pay out when there are named perils via windstorm or flood that affect your building. In the context of the cladding crisis, there is no named peril from an insurance



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perspective. That is not to say that we are not an important contributor to some of these conversations.

We may come on to the increased cost of buildings insurance, and we may come on to professional indemnity insurance in the context of this. We need to be part of the solution, but I do not think that part of the solution is for us to contribute to the building safety fund levy.

Q136 **Brendan Clarke-Smith:** Richard, what do you think about that with insurers?

Richard Collins: I do not think RICS has a view on that particular issue. We are not insurance experts.

Q137 **Brendan Clarke-Smith:** Charles, do you have a view on it?

Charles Roe: It is not an area we have a view on in terms of who should pay, but as we have said before, we believe that the polluter should pay. It is a little bit like lenders; they want the market to work efficiently and to be able to lend against these properties. What is important for lenders and our members is to make sure that mortgages can be granted against these properties without the leaseholder and the purchaser having concerns about future costs that they are not expecting when they purchase the property in the first place.

Q138 **Chair:** Before we move on to insurance premiums, I just have a question for James Dalton. The insurance industry provides warranties on buildings, doesn't it? Effectively, it guarantees that these buildings are built to a proper standard, so you are involved in this, aren't you?

James Dalton: It is really important to be clear about the different products. I was answering the question in the context of buildings insurance. Warranties are a different type of product, and they are part of this conversation. I am sure you have had conversations with significant providers of warranty, such as the NHBC, who are an important part of that conversation and are part of the membership of the ABI. Just to be clear, I was answering the question in the context of buildings insurance.

Q139 **Chair:** Okay, so for that part of the insurance industry providing warranties on buildings, it might well be appropriate for them to make a contribution towards these costs?

James Dalton: That would be a question you could put to them.

Q140 **Ian Byrne:** This section is at you James, so don't put your feet up. Has the insurance industry's bottom line benefited from what happened since Grenfell?

James Dalton: I think part of the challenge has been for us to understand in the context of a systemic regulatory failure what the insurer's increased risks are. Fires have continued to take place, and insurers have certainly put up insurance premiums—in particular for high-rise residential buildings. I would argue that those increases are proportionate, relative to the risk that an insurer is taking on.



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Q141 **Ian Byrne:** They would argue against that, wouldn't they?

James Dalton: Of course they would, and that is a legitimate debate. I suppose what I want to try and communicate to you is that what we are doing as an industry is pricing risk, and the risk of these buildings has increased. Some of them are very dangerous buildings indeed.

What we are part of, including by coming and speaking to you, but also working with regulators and Government, is trying to find solutions to the problem. No one is arguing about there being a problem with the increased cost of building insurance. The question is, how do you address it? I, personally, and we as organisation and the firms that we represent, am 100% committed to continuing to work to find solutions to that problem.

Q142 **Ian Byrne:** I have had many constituents email me about the excess profits they believe that the insurance companies have made since 2017. They would argue, much like the arguments taking place at the moment, that the energy companies are contributing to the cost of living crisis with the windfall tax. Many are arguing for that.

What would your take be on that, given excess profits that have been made since 2017 and a windfall tax that has contributed to a remediation fund? We have just listened to the previous panel talk about social housing tenants actually paying for the remediation through what is happening with the social housing sector. The insurance sector seems to be left untouched by this and is making huge profits.

James Dalton: I certainly don't think that the insurance industry has been left untouched by it. Our industry had a problem with reputation and trust with consumers before Grenfell. It has still got that now, right? I am not going to hide from that, but we have been at the table since the day after Grenfell having conversations with Ministers and officials about how we can play a part in ensuring that insurance continues to be available and that to the greatest extent possible insurance continues to be affordable.

But, to be frank, we are now four and a half years on from Grenfell. We still do not have a new building safety Bill or new regulatory framework to govern both competence and professionalism in the sector. We are very supportive of the work that the Government have been doing on that.

Q143 **Ian Byrne:** So the insurance companies, from a moral perspective, are quite comfortable with the fact that they are not paying towards the remediation fund at the moment, even though, as the Chair just outlined, these elements we're using are intrinsically linked to this—that is undeniable. Are you comfortable, as the spokesperson for the insurance industry, that at the moment you're not contributing?

James Dalton: I am comfortable, for the reasons I gave in response to the previous question, that insurers should not be contributing to the levy—not least because insurers did not design a building or a product that was put on a building, or sign off that.

Ian Byrne: I agree with that.



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James Dalton: Insurers have been doing what they can to ensure that the premiums that leaseholders ultimately get charged are as low and as proportionate as possible relative to the risk that the insurer is taking on. Do I accept that leaseholders do not like the premiums that they are currently charged? Of course I do. That is why I'm sitting here today to talk to you about it, and why I have continued to work with regulators and Government on solutions to solve the problem.

Q144 **Ian Byrne:** Okay, we will go on to that now. What is your response to the Secretary of State's request to the Financial Conduct Authority to review the buildings insurance sector in respect of rising insurance premiums and restrictions in coverage for multiple occupancy buildings?

James Dalton: We very much welcomed the communication on Friday from the Secretary of State to the Financial Conduct Authority. As I have said to this Committee before, and will repeat now, we sympathise with the problem that leaseholders are currently facing, and we are focused on finding solutions to that.

One of the challenges that we have faced as an industry in that context is around what we can do collectively as an industry in the context of competition law. My hope is that the involvement of the FCA and the CMA will help us work through some of those challenges. We've got solutions in mind that could operationalise. They will need lots of work, but part of the challenge has really been about what we can do together in the context of competition law. As I said, my hope is that, by working together with the FCA and the CMA, we will be able to come up with solutions quicker.

Q145 **Ian Byrne:** Okay. We will look forward to seeing that. Moving on to the next part of the question, are you confident that buildings insurance premiums will fall to a more sustainable level for leaseholders? How will the introduction of the PAS 9980, which replaces the now withdrawn consolidated advice note, affect the situation?

James Dalton: As I said in response to a previous question, we as an industry have, since before Grenfell, been arguing that the regulatory system for building safety had become too lax. That was proved by the independent review that Dame Judith Hackitt led. As I said earlier, we rely on an efficient, effective regulatory framework to efficiently and fairly price insurance policies.

Anything that can be done—and we are huge supporters of what is set out in the Building Safety Bill—to improve the safety of buildings in the future, we are big supporters of. Safer buildings will be cheaper buildings to insure. The problem is that the Bill is prospective, and so we remain concerned about how we address the problem of buildings that exist today. That goes to the solutions that I was talking about in response to your question earlier.

Q146 **Ian Byrne:** Lastly, how quickly do you expect the buildings insurance marketplace to reach the level of affordability and accessibility envisioned by the Secretary of State? Would these be the solutions that you are talking about?



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James Dalton: I think that the answer to that question very much depends on where we get to in our work with the Financial Conduct Authority. As I said, I and the insurance industry are 100% committed to finding solutions to this problem and working with the regulators in a way that we have not been able to do ourselves as an industry. Time will tell how we get on in that piece of work.

The timeframes that the Secretary of State has set out in his communication to the FCA are ambitious, but I am determined that I am going to do all I can to meet those targets.

Q147 **Ian Byrne:** Can I just finish with something about residents' voices? How does the industry engage with leaseholders and leasehold associations? Do you have an engagement framework with them, so you can actually get their views right from the coalface, as such?

James Dalton: I have spent a lot of time over the last 12 to 18 months talking to leaseholder groups and representatives of leaseholders to listen to what they have to say. They have listened to what I have to say; they do not necessarily agree, but at least we have had a dialogue and a communication, and I think that is important.

Q148 **Ian Byrne:** That dialogue and communication will be fed into the possible solutions, hopefully.

James Dalton: Of course. I am 100% committed to that, and I am sure the FCA will be as well.

Chair: Mary Robinson has a follow-up on that.

Q149 **Mary Robinson:** In terms of the insurance industry, clearly, the rising insurance premiums have been an extra, added cost burden to leaseholders, who obviously have an awful lot of other concerns as a result of this. The argument would be that it is fair because the insurance industry is balancing risk and, in fairness, would therefore have to have that reflected in the premiums.

The other side of this is risks against claims, and whether there are likely to be claims made on these policies that people are paying for. In the event that the claims do not match, or are in fact much lower than the premiums that have been charged, is the insurance industry open to something like a percentage profit forfeit, in order that it can actually pay into the fund that is remediating some of these issues?

James Dalton: Part of what an insurer is pricing is the risk of paying a claim on a particular building. The other part that is important to remember is that from a prudential regulatory perspective, an insurer has to hold capital against the amount of risk that they have written, and that is a driver of premiums as well. The answer to that question, I think, very much depends on the view that a prudential regulatory authority would take of that.

Q150 **Mary Robinson:** Is that a question for us to be asking the authority?



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James Dalton: I couldn't possibly comment on what questions you can ask who. It is a part of how an insurer prices their policy—claims, capital—and the amount of capital that is being held is often forgotten as part of the process of pricing an insurance product.

Q151 **Chair:** Mary Robinson has really put her finger on it there, hasn't she? She has put her finger on the issue that most people looking at this would immediately see. Premiums for these buildings have gone up significantly since Grenfell; pay-outs probably have not gone up at all, because there have not been any more fires that we are aware of that you have had to pay out on as an industry.

All right, you may have tucked all this money away as capital, but I suspect quite a bit has gone out in profit, hasn't it? Your profits have probably gone up. Would it not be reasonable, therefore, to pay an element of that profit back into the funds to deal with these problems? Everybody else is suffering, but the insurance industry seems to be making more money.

James Dalton: As I said in response to the question, there are multiple costs that go into the price that an insurance premium is made up of. What the industry has been doing is seeking to ensure that the premium increases that leaseholders are facing are as small as they possibly can be in the context of a regulated industry.

Q152 **Chair:** Some do not look very small.

James Dalton: I accept that; I am not going to sit here and argue that premium increases that leaseholders have faced are not hurting. I know they are hurting, because as I said in response to the previous question, I have heard that first hand. What I am focused on is developing solutions with you, with the Government and with regulators on what can be done to fix the problem.

Q153 **Chair:** Do you have any figures about the level of pay-outs on these buildings in the last four years—whether they have gone up or not?

James Dalton: I can certainly go back through previous evidence to this Committee and provide a written response to the question.

Chair: That would be helpful, I think. Thank you very much.

Q154 **Florence Eshalomi:** Just on that point, one of the issues that was flagged up to me by a constituent was around the fact that the freeholder may have a conflict of interest when selecting the building insurance, and that in some cases there is an element of commission being attached to that. What is your view on that?

James Dalton: What the Financial Conduct Authority did on Friday was to write letters to insurers, but they also wrote letters to insurance brokers and intermediaries, and building management organisations. One of the significant costs in the price of insurance is commission and if we are going to do anything to reduce the costs that fall on leaseholders, all



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things need to be on the table. And my submission to you is that commission and distribution should be one of them.

Q155 **Chair:** We will move on to a different subject. One of the other major parts of the Secretary of State's announcement was the withdrawal of the consolidated advice note and then the new guidance—PAS 9980—which I am sure you are all very familiar with. The Secretary of State was really saying that PAS 9980 will be more proportionate, a more common-sense view, and that there will be a lot less use of EWS1 forms. Is that your view about what will happen?

Richard Collins: First, we need to recognise that the Government should be congratulated initially on bringing in the consolidated advice note. They were left in a very difficult position post-Grenfell, but they moved quickly with industry experts to produce a body of guidance to help all parts of the industry. It is also right that that has now been replaced by a well worked-through standard—PAS 9980—which the Royal Institution of Chartered Surveyors and a number of others in the industry have contributed to.

I don't think that that will lead to a reduction in the number of EWS1 forms, for a couple of reasons. Let me explain. The EWS1 process was introduced jointly by RICS, UK Finance and the Building Societies Association post-Grenfell, because we could all see a danger of the whole market for residential flats in high-rise buildings being blighted. Obviously, there was a lot of concern about whether those buildings were safe, and there was a real risk that perfectly safe buildings and perfectly safe flats would be blighted, because people just did not know whether high-rise buildings were safe or had fire risks.

Therefore, we collectively introduced the EWS1 process, so that when a lender was contemplating lending on a flat, the valuer could look at the block and make an assessment—either, "Does this block, on the face of it, appear to be safe? It has no cladding," or, "Is there something about the block that gives rise to concern—in other words, I can see that it has an external cladding system on it?"

In those circumstances, the EWS1 form enables a trained fire safety assessor to look at the building and give an opinion about whether remediation work is needed or not. So, the process has enabled the many thousands of flats that are perfectly safe still to operate within an open market.

The use of EWS1 has declined over the period. I think the most recent figures that I saw were that something like just over 5% of flats were being subject to EWS1, and in low-rise flats I think the figure is more like 2%.

However, we think that the EWS1 form and process will continue for as long as there continue to be concerns about high-rise buildings being unsafe. PAS 9980 quite rightly introduces a much broader fire safety assessment process, but that's actually much lengthier and will take more work to complete. So, we think that the slightly simpler process—the



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EWS1 process, which looks at cladding—will continue and that is for the benefit of all parts of market. I think it has broad support from lenders, valuers and conveyancers.

We absolutely do not want to see EWS1s being used where they are not needed, but we think the evidence suggests that that is not happening at the moment.

Charles Roe: UK Finance and our members use the EWS1 form and process in a very proportionate way. As Richard said, the use of the EWS1 has reduced over the course of the last three or four years. The Government's own figures, which were published at the beginning of the year, indicate that overall the EWS1 is used in less than 10% of property valuations these days, and that with low-rise buildings—those buildings below 11 metres—it is used in less than 2% of valuations. Therefore, a proportionate approach is being adopted.

The main benefit of the EWS1 for the lending community is that it is a relatively short document, about five pages long, and it provides a binary yes/no output for the valuation industry and for lenders to understand whether a building has cladding that could have an impact on its value. Lenders are concerned about two elements. The first relates to the value of the property they are lending against, and the second relates to any additional costs that the purchaser or leaseholder may incur when purchasing that property. They have to lend responsibility, as required by the FCA and the PRA.

Lenders have worked with Government on PAS 9980, which is basically a methodology for assessing the external wall systems on high-rise buildings and blocks of flats. That PAS 9980 will then feed through into the fire risk assessment document, which will be completed by specific individuals, either in industry or to be appointed by the landlord of the property.

Despite the fact that the Government are recommending that a proportionate approach is taken to those properties that are high-rise, it will take a number of years to get those FRAs completed. In the interim, lenders will continue to use EWS1s to assess the valuation, and to provide the comfort to leaseholders and flat purchasers on whether their building has cladding on it, and whether they may incur some additional costs in relation to it.

Q156 **Chair:** That chimes with the evidence that we had the other day. Basically, you are saying that fire risk assessments will have to be done eventually for all buildings, and it will be a long process to get them done. Therefore, you are saying that, in the meantime, the EWS1 forms are needed for certain higher-risk buildings to give security to lenders. Is that what you are saying?

Charles Roe: That is correct. Ideally, what we would like from the FRA is a binary output from that: "Does this building have value-affecting works that need to be remediated?" At the moment, that document is expected to be about 70 pages long and doesn't have that binary output, which



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lenders would ideally like, from the point of view of asking, “Does that property have value-affecting works?”

Q157 **Chair:** So the process can be more complicated, rather than less.

Charles Roe: From a valuation perspective, yes, but from the point of view of a landlord and a freeholder, it provides a greater degree of comfort, with an assessment of the whole of the building in relation to a fire risk assessment.

Q158 **Chair:** Richard, do you have anything to add?

Richard Collins: No—just that I completely agree with Charles. It is an issue that valuers, RICS and UK Finance have worked on very closely, to try to keep the market operating effectively.

Q159 **Chair:** One concern that we raised in this Committee before—or was raised with us—was that there are occasions where it is deemed that an EWS1 form is not needed, but then the lenders wouldn’t lend because there wasn’t one. Have we got over that problem?

Charles Roe: There were some initial teething problems with this. It is a complex issue, which we have been working on with lenders, the valuation community and officials at DLUHC. We have a very open dialogue with members of DLUHC, and also with parliamentarians and MPs. Where instances are brought to our attention where there seems to be any confusion in relation to whether an EWS1 is required or not, we investigate those on an individual basis with the lender, to understand the reasons behind it.

Lenders actually aren’t the ones that are requesting an EWS1. When the valuation is undertaken, the valuation firm will assign one of their valuers to the property to do an initial assessment of it. If it seems to that valuer that that building has an external wall cladding system on it that could be flammable, or meets the standards required for an EWS1, they will then request a fire risk assessor to do a review of that building. So it is outside of the control of the lenders; it is down to the valuers and their interpretation of what is on the outside of that building.

Q160 **Chair:** The Secretary of State was quite clear that he was following the independent expert panel’s advice, expecting that the EWS1 forms generally wouldn’t be used for buildings under 18 metres. You are saying that it is still going to happen—you’re still going to require them.

Charles Roe: We welcome the advice that came from the fire experts and the independent expert panel last July. The advice that they gave was talking about life risk and fire safety risk. While that is important and lenders need to make sure that householders and purchasers have a property that is safe to live in, what lenders are concerned with, as well as life and fire safety, is valuation risk. It is not in anybody’s interest for a lender to advance funds to somebody to purchase a property only to find out later down the line that they may face a cladding remediation bill of £40,000 or £50,000. That would affect their ability to repay their mortgage, or to afford any unexpected costs that come through. We will



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be using EWS1s in a very limited number of cases going forward—the figures have shown that the number of cases that we are using them in is reducing.

Q161 **Chair:** Finally, before I move on to the next set of questions: have we got to the point now where the assessments as part of EWS1 are being done more quickly? For some time it was said that, “We haven’t got the experts to come and do these assessments—that is what the delay is.” Are we in a better place with that now?

Charles Roe: We are in a much better place than we were. One of the things that the lending industry has been very keen to do is to make sure that when an EWS1 is undertaken, that document is available to other lenders within the industry, or to other householders. What the lending industry has done, in conjunction with the fire industry association, is develop a portal; the lenders have paid for the portal to be developed by the FIA and for all EWS1s to be loaded on to it. That portal—when they are all loaded on there—will be accessible to householders, leaseholders, freeholders and Government Departments, so that people can benefit from the EWS1s that have been completed. It is a completely transparent process.

Q162 **Chair:** So if the flat next door comes up then the EWS1 already done on the first flat should apply to the second flat?

Charles Roe: An EWS1 is completed on a building rather than an individual flat. However, yes, it would allow purchasers or leaseholders to see if their building has been assessed.

Chair: To make sure that James does not feel left out of this conversation, we will move on to the issue of professional indemnity insurance.

Q163 **Mary Robinson:** On 10 January, the Secretary of State said, “Before Easter, we will be implementing our scheme to indemnify building assessors conducting external wall assessments, giving them the confidence to exercise their balanced professional judgment.” Do you welcome this move, James?

James Dalton: Of course—it is a really essential component to what my colleagues have just been talking about. The challenges in the professional indemnity insurance market are global; in the UK, in particular, construction and building is a very challenging market for professional indemnity insurance—for pretty obvious reasons. We have been concerned to ensure that the EWS1 process and future fire risk assessment of buildings have some insurance backing to them. That is why we have worked so closely with Government officials and Ministers to help them in thinking through how to operationalise a scheme to ensure that professional indemnity insurance can remain available for fire risk assessors. The Secretary of State’s announcement anticipating that scheme being operational by Easter is incredibly welcome from all of our perspectives.

Q164 **Mary Robinson:** I am assuming the panel agrees?



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James Dalton: I don't want to put words in their mouths, I hasten to add.

Q165 **Mary Robinson:** If you speak for everybody then it is good—is that right?

Richard Collins: It is very much welcomed. I think all of us have an absolute desire that, when an EWS1 is required, there is someone who is professionally skilled to do it and who can do it quickly. Even though things have improved, there has been a shortage of qualified professionals able to do this work—or they may be qualified but unable to obtain professional indemnity insurance. This move is incredibly welcomed. The ABI and Government have worked closely to put it in place. At the moment, I think it will cover only work on EWS1s. That is very welcome. Looking further down the road at the completion of the broader fire safety assessments required under the new powers, we would like to continue dialogue to understand whether there will be sufficient professionals able to do that work, and whether a similar scheme—or an extension to the scheme—would make that process work more smoothly.

Charles Roe: Very much like my colleagues, we welcome the announcement. We have arranged a meeting tomorrow with DLUHC officials—with the valuation community, lenders and the surveying community—to talk about the use of the EWS1 process and to make sure that we are implementing a more proportionate approach. We also want to discuss the level of information that can be shared with the wider industry and Government in relation to EWS1s and their outcomes, as well as the number that are being requested at the moment—further information.

Q166 **Mary Robinson:** In terms of accessibility for people who need or want to have these forms, do you expect that everybody who needs or wants to have this indemnity will be able to get it?

James Dalton: That's a difficult question for me to answer, because I would like to see the detail of the scheme once it's released before Easter. I would have thought that Ministers and officials are seeking to ensure that as many fire risk assessment professionals as possible could gain access to the scheme. That is what I hope will come out in the announcements before Easter.

Q167 **Mary Robinson:** What would be the critical aspects of the announcements that would determine that?

James Dalton: Professionalism. What the insurance industry has always wanted to see from fire risk assessors are qualifications and documented processes and procedures in risk management terms. I think that would be important to see as part of the announcement of the scheme from the Department.

Q168 **Mary Robinson:** Charles, do you expect this scheme to make it easier for those wanting to sell or remortgage their homes? Ultimately, those are the people that we are talking about—the people who are affected by it.

Charles Roe: Very much so. A lot of the work that my team and I do is engaging with leaseholders and the individuals impacted by this to



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understand the issues they are facing, so that we can work with industry to try to remedy and resolve it. The steps the Government have announced so far and the work we are doing with RICS and the BSA is all focused on trying to ensure that the market works as intended and in a proportionate way for those leaseholders.

However, at the same time, we recognise that leaseholders who purchased their properties in good faith are now facing very large, life-changing debts and costs to amend or replace cladding and other building defects that are outside their control. That is particularly true for leaseholders with properties below 11 metres. The fund that was announced by Secretary of State Gove in January talked about buildings above 11 metres. However, from the discussions my team and I have been having with leaseholders, we know that there are a number of leaseholders in buildings below 11 metres who are impacted and are facing significant costs to correct those building defects.

We would like the market to work for all. We are working with officials to try to see whether that fund can be extended to cover all multi-tenanted and multi-flatted blocks where there is a building safety issue.

Q169 Mary Robinson: The Secretary of State has emphasised the importance of taking a proportionate view of risk. Will the scheme help to do that? Will it succeed?

Charles Roe: I am very hopeful that it will take a more proportionate approach to risk. In his statement, the Secretary of State also announced that he would be looking to see whether the recommendations for replacing cladding were proportionate, and whether slightly less costly solutions could be found—such as sprinkler systems, smoke alarms or early detection systems—rather than replacing the cladding and insulation. That is something that lenders and we, on behalf of our members, will be working on with Government to make sure that the response is proportionate, but also does not impact the lives of those people who are living in the property through their living in uncertainty as to whether they would be able to evacuate if the property had a fire, they were still there and the cladding had not been replaced.

Richard Collins: I agree with Charles on the issue about proportionality and the steps that are being taken. Could I just come back to the issue of the capacity of fire risk assessors? It is critical. This is an area where we have worked successfully with the Government. The Government has provided funding, which has helped us to develop a bespoke training course for fire risk assessors. We have created all the material; it is a certificated course; and we have made it open not just to our RICS members, but to a much broader community. We have capacity in that to train 2,000 individuals to deliver EWS1 fire risk assessments. And I think, now that we have the very good news about the underpinning of the PII scheme, that will enable us to put into the market a much larger number of well trained and accredited assessors, which will underpin the confidence that James highlighted for people to access the PII scheme.



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Mary Robinson: Do you have anything to add, James?

James Dalton: No.

Q170 **Chair:** Finally, Richard Collins, RICS are not exactly the Secretary of State's favourite organisation, are you? The Government are taking "the power to review the governance of" RICS "to ensure that it is equipped properly to support a solution to this challenge." You've upset him, haven't you? Do you know why that is?

Richard Collins: I would hope we haven't upset the current Secretary of State. You referred earlier to the July statement around fire safety, and it would be fair to say that at that time we and, actually, UK Finance and others took a different view to the then Secretary of State. We welcomed the July statement, but there was a statement in there—I think it's the one you read out—saying EWS1 forms would no longer be needed for buildings under 18 metres. On the back of that statement, we did review all our guidance around EWS1 and consulted widely, but we took a different view and the industry took a different view. And I think that may well have caused some upset. But I think that the statement from the Secretary of State in January this year firstly did indicate that EWS1s would still be required on buildings under 18 metres. And in fact the announcement of significant new measures to create a fund of over £4 billion to remediate issues on buildings under 18 metres did suggest there is a continuing problem.

RICS is a royal charter body. We have an obligation to act for the public advantage. We don't have statutory powers; we are not a statutory regulator. Our members don't have their titles reserved; people don't have to be a member of RICS to undertake surveying activities. And with the exception of the specific scheme I have just mentioned, we are wholly funded, for our public advantage work, by members.

In that context, I am unclear about the purpose of a statutorily based investigation into RICS. RICS itself has, as part of a commitment to openness and transparency, commissioned Lord Michael Bichard to undertake a wide-ranging independent review of our purpose, governance and strategy. Lord Bichard will be reporting in June, and we will be publishing that report. We welcome, absolutely, transparency; we welcome scrutiny. We are a public advantage body. For us, it is very welcome to be challenged and to engage in debate about whether we are doing the right thing. I'm sure we don't always do the right thing—it would be a rare body that would—but I would be very much interested to continue our dialogue with Government and the Department, to understand better the reasons behind their desire to take these statutory powers.

Q171 **Chair:** Knowing Lord Bichard from past experience, I am sure he will do a very thorough job. Have you got feedback from Government that therefore another review, by Government or commissioned by Government, won't be necessary?



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Richard Collins: I would hope that would be the case. Lord Bichard is undertaking an independent review, and if you know Lord Bichard, you will know how independent that will be. I do know that he is in dialogue with Government and with a wide range of stakeholders. He is very keen to receive a wide range of views. Government will be feeding into his review, I know, and I would hope that Government will wait to see what the outcome of that review is before taking further steps.

Chair: Ian Byrne has a quick follow-up question.

Q172 **Ian Byrne:** Yes, just a quick one—and it's quite topical. Richard, just for the record, will RICS publish the review in full or will it be redacted?

Richard Collins: We will publish the review in full. We had a review last year that was undertaken by Alison Levitt QC and which looked at some historical issues, and we published that review in full, accepted all the recommendations and are in the process of taking all the steps recommended. It will be the same for Lord Bichard's review.

Chair: I thank all three of you very much indeed for coming to give evidence to the Committee this morning on what I am sure we all agree is an extremely important issue. We need to get proper, comprehensive and quick resolutions to these matters, and that is what the Committee will be trying to do in making recommendations shortly on all these issues.