Cladding: progress of remediation

Second Report of Session 2019–21

Report, together with formal minutes relating to the report

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Housing, Communities and Local Government Committee

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Summary

On 14 June, we will remember the 72 residents of Grenfell Tower who paid such a terrible price for what was a catastrophic failure of industry and Government. While much has changed in the 1,000 days since the fire—including the ban on combustible cladding and the announcement of a new £1 billion Building Safety Fund—it is clear that there is still more to do. This Committee investigated the progress of remediation of high-rise and high-risk buildings, the direct and indirect costs for residents, and wider fire safety concerns that were emerging. Our findings were as follows:

- **It is deeply shocking and completely unacceptable that, three years after the Grenfell Tower fire, there are still 2,000 high-risk residential buildings with dangerous cladding.**

  We have called on the Government to ensure that all buildings of any height with ACM cladding should be fully remediated of all fire safety defects by December 2021. Buildings with other fire safety defects, including non-ACM cladding, should be remediated before the fifth anniversary of the Grenfell Tower fire in June 2022.

- **It is clear that the new £1 billion Building Safety Fund will not be sufficient to remediate all 1,700 buildings with combustible non-ACM cladding above 18 metres.**

  Last year, we called for funding for buildings with non-ACM cladding and so the Building Safety Fund announced at the Budget is very welcome. However, £1 billion is only likely to be sufficient for 600 buildings; a third of the number the Government accepts are at the highest risk.

- **We are concerned by the number of exclusions that exist in the Prospectus for the Building Safety Fund.**

  With a limited application window, the effective exclusion of social housing providers, and a ban on applications where works started before March 2020, the Government is clearly trying to find ways to fit a £3 billion liability into a £1 billion funding pot. These exclusions are wrong and funding should not be allocated on a first-come-first served basis. The Government must ensure that social housing providers have full and equal access to the Building Safety Fund.

- **The Building Safety Fund will need to be increased to address all fire safety defects in every high-risk residential building—potentially costing up to £15 billion.**

  Residents are facing life-changing bills for more than just combustible cladding. If the Government doesn’t provide additional funding, let us be clear: it means tens of thousands of residents sent massive bills for problems that aren’t their fault, and which, in many cases, will be a financial burden from which they will never recover; it means thousands fewer affordable homes, as councils and housing associations are forced to divert funds to remediation projects; and worst of all, it will mean that some works are never carried out.
• The Government should provide funding for the costs of interim fire safety measures, such as waking watches and fire alarms.

Residents are already receiving bills of thousands of pounds for 24-hour ‘waking watch’ fire patrols and new fire alarm systems. None of these things are the fault of residents and they shouldn’t be the ones forced to pay.

• Those who are responsible for this crisis should ultimately be made to contribute to the Building Safety Fund.

Given the urgency of these remediation works, it is necessary for the Government to provide the funding up front. However, it cannot be fair for the financial burden of remediating buildings to rest solely with taxpayers. On individual buildings, we would support the Government taking legal action to ensure those responsible are made to pay. The Government should also undertake a review of proportionate taxes on developers, freeholders and others to help fund these remedial works.

• We would support a much more extensive use of Compulsory Purchase Order (CPO) powers, to take direct ownership of the freehold of buildings with serious fire safety defects.

• The Government should give urgent consideration to the establishment of a new national body whose sole purpose is to purchase the freehold and manage the remediation of buildings with serious fire safety defects.

Any residential building where works have not commenced by December 2020 should be subject to a CPO. The national body would step in where overburdened local authorities are unable or unwilling to act. Once remediated, buildings should be converted to commonhold and returned to leaseholders.

• The External Wall Fire Review (EWS1) process is not working. The Government should take control and put in place a much faster and fairer system.

The industry-designed EWS1 process was put in place to allow mortgage providers to make informed lending decisions on high-rise residential properties potentially at risk of serious fire safety defects. However, it is a slow and expensive process and we are concerned that it is being applied to an unnecessarily wide range of buildings.

• The Government must ensure that residents in affected buildings are offered support by the NHS to cope with the physical and mental health toll of living in a potentially dangerous building.

We have heard clear evidence of the physical and mental health toll that this crisis has had on residents. We view this as a public health crisis and the Government must do so as well. The Government should provide basic information to every resident, signposting to services for those worried about their safety or financial situation.
Introduction

1. On 14 June, we will mark the third anniversary of the fire at Grenfell Tower. It was an entirely avoidable tragedy which took the lives of 72 people, including 18 children and an unborn baby. Unaware of the danger they were in, the residents of Grenfell Tower lived in a building wrapped in aluminium composite material (ACM) rainscreen panels with polyethylene cores, a highly flammable and dangerous cladding system. They would pay a terrible price for a catastrophic failure of industry and Government.

2. But Grenfell Tower was not a unique building. That night, there were more than 450 high-rise residential or other publicly-owned buildings in England with the same, or similar, dangerous ACM cladding systems. There are still over 300. And this doesn’t include the many thousands of buildings of all heights with other forms of combustible cladding or those buildings with serious fire safety defects, including combustible insulation, timber balconies and walkways, missing fire breaks and faulty fire doors.

3. It is true that much has changed in the 1,000 days since the fire. This Committee has been at the forefront of calling for that change. Over the last three years, we have recommended the ban on combustible cladding on high-rise buildings, funding for the remediation of buildings with any form of dangerous cladding, the installation of sprinkler systems where structurally feasible, and a clear deadline by which these should be achieved. Many of our recommendations have led to policy changes from the Government, most recently the announcement at the Spring Budget of a new £1 billion Building Safety Fund to remediate buildings over 18 metres with unsafe cladding—although, as we will go on to outline, we had called for a more comprehensive funding scheme.

4. Yet so much has not changed. We saw that in Barking in June 2019, when it took just five minutes for a fire to spread across the timber cladding and balconies of a four-storey residential building. And again in Bolton in November 2019, when a 17.84 metre university accommodation block, fitted with High Pressure Laminate (HPL) cladding, burned out of control, injuring two and requiring the evacuation of 100 people, bringing back terrifying memories of that night in North Kensington. Then there is the ongoing physical, mental and financial plight of the hundreds of thousands of people in buildings which are known to be unsafe, but have not yet been remediated and may not be for some time.

5. In March 2020, we launched an inquiry into Cladding: Progress of Remediation to investigate ongoing concerns around the pace of remedial works on affected buildings, the direct and indirect costs for residents, and wider fire safety concerns that were emerging. A key part of our inquiry was a survey we published to ask residents of high-rise and
high-risk buildings about the fire safety concerns in their properties, the impact this has had on them, and their views on the adequacy of the Government’s response. A high-level summary of this survey was published on 6 May 2020.\textsuperscript{7}

6. This is the third report in three years from this Committee on fire safety and the progress of remediation of affected buildings. The report has two chapters. The first considers the progress of remediation of buildings with serious fire safety defects and the adequacy of the funding the Government has put forward to facilitate this. The second highlights the costs—financial and otherwise—faced by residents while they await the remediation of their buildings and considers calls for further Government support.

7. We are grateful to Rituparna Saha of the UK Cladding Action Group (UKCAG) and Alex Di-Giuseppe of Manchester Cladiators for so clearly and passionately representing the views of affected residents in evidence to us, to the 1,350 people who responded to our survey and the 36 organisations who made written submissions following our call for evidence. We thank Lord Greenhalgh, a recently-appointed Minister with a challenging portfolio, for giving oral evidence so soon into his tenure. We note with some concern, however, that Lord Greenhalgh is the fifth different Minister to be given responsibility for building safety since the Grenfell Tower fire in June 2017; a recipe for disjointed and unproductive government.\textsuperscript{8}

8. This Committee will not forget the 72 who died following the fire on 14 June 2017 or the lessons that must be learned. As we publish our report, we are reminded again of the warning given to us by Edward Daffarn of Grenfell United one year after the fire:

\textit{Grenfell 2 is in the post unless you act, and quickly.}\textsuperscript{9}

\textsuperscript{7} Combustible cladding survey highlights ongoing issues in residential buildings, Housing, Communities and Local Government Committee, 6 May 2020
\textsuperscript{8} The five Ministers with responsibility for building safety since the Grenfell Tower fire: Rt Hon Alok Sharma MP (June 2017 to January 2018), Rt Hon Dominic Raab MP (January 2018 to July 2018), Kit Malthouse MP (July 2018 to July 2019), Rt Hon Esther McVey (July 2019 to February 2020), Lord Greenhalgh (March 2020 to present)
\textsuperscript{9} Q25 (Edward Daffarn, Grenfell United), Local Authority Support for Grenfell Tower Survivors, HC 1037, 2017–19, Housing, Communities and Local Government Committee, 20 June 2018
1 Progress of remediation

9. This chapter considers the progress of remediation of buildings with combustible cladding, both aluminium composite material (ACM)—the cladding system used on Grenfell Tower—and non-ACM systems. It moves on to highlight the other fire safety concerns which have begun to emerge in recent years in many residential buildings. In this chapter, we call on the Government to pick up the pace of remediation of affected buildings, making recommendations for how this might be achieved.

Remediation of cladding on high-rise buildings

ACM cladding

10. There is already a high degree of transparency around the rate of remediation of high-rise buildings with ACM cladding, with the Government publishing a comprehensive Building Safety Programme: Monthly Data Release. The most recent update, issued in May 2020, reported that, of the 457 high-rise residential or other publicly owned buildings over 18 metres initially with ACM cladding, 149 had completed remediation works and 307 were yet to be remediated. Of the remaining residential buildings, 82 were in the social sector and 180 in the private sector. 140 buildings with ACM cladding were yet to start remediation works, although a majority had a plan in place to do so. The Minister highlighted to us that there was some regional variation in the rate of remediation: in Manchester, 80% of affected buildings have either been remediated or work is on site, compared to around half of buildings in London.

Non-ACM combustible cladding

11. There is far less clarity on the numbers of buildings with combustible non-ACM cladding. The Local Government Association (LGA) explained that there was no official data on the number of such buildings and that a survey undertaken by local authorities on behalf of the Government was not yet complete. According to the National Fire Chiefs Council (NFCC), in many cases, ‘unknown’ returns were being submitted to this survey. The Birmingham Leaseholder Action Group reported that a survey of buildings in the West Midlands would not be completed until December 2021.

12. While it is concerning that the Government does not yet have reliable data on the number of buildings with dangerous cladding—particularly given the length of time since the Grenfell Tower fire—officials have been able to estimate the scale of the problem. The Minister told us:

With non-ACM […] it is about 11,300 buildings, but my officials have given me a rough figure that probably the high-risk buildings with flammable cladding would be around the 1,700 mark.

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10 Building Safety Programme: Monthly Data Release (April 2020), Ministry of Housing, Communities and Local Government
11 Q25 (Lord Greenhalgh, Minister for Building Safety)
12 Local Government Association (CPR005)
13 National Fire Chiefs Council (CPR0017)
14 Birmingham Leaseholder Action Group (CPR0007)
15 Q22 (Lord Greenhalgh, Minister for Building Safety)
13. In addition to those 300 buildings with ACM cladding awaiting remediation, we now know there are likely to be a further 11,300 buildings with other forms of combustible cladding, of which approximately 1,700 are high-risk and likely to require urgent remediation. Three years since the Grenfell Tower fire, to still have 2,000 high-risk residential buildings with dangerous cladding is deeply shocking and completely unacceptable.

The £1 billion Building Safety Fund

14. In July 2018, following an inquiry into Building Regulations and Fire Safety, this Committee called for the Government to provide up-front funding for the remediation of all forms of dangerous cladding, and combustible insulation, from any high-rise or high-risk building. At the 2020 Spring Budget, the Chancellor announced a new £1 billion Building Safety Fund to remediate all unsafe materials from private and social sector residential buildings, above 18 metres in height—noting the recommendations of this Committee:

> Expert advice is clear that new public funding must concentrate on removing unsafe materials from high-rise residential buildings. So today, I am creating a new building safety fund worth £1 billion […] That is what the experts have called for. That is what the Select Committee has called for. That is even what the Opposition have called for. That new fund will go beyond dealing with ACM to make sure that all unsafe combustible cladding will be removed from every private and social residential building above 18 metres high. My right hon. Friend the Housing Secretary will spearhead our efforts to make sure that developers and building owners do their fair share as well.

Supporting documents confirmed that the £1 billion would be additional to the existing £200 million fund for the remediation of ACM cladding from private sector properties and £400 million fund for social sector properties, taking total funding for the remediation of dangerous cladding to £1.6 billion.

15. The funding was welcomed as an important step by many stakeholders. ARMA told us that the funding “sends a strong message to the country that the Government is taking the matter seriously”. Manchester Cladiators, a group representing residents affected by fire safety issues, described the funding as “more than we expected” and “a huge step forward”. A spokesperson for Grenfell United said at the time that “a big step” had been taken and that the Government was “finally waking up to the severity of the situation”. However, these groups also expressed their view that the funding would be insufficient and needed to go further.
18 metre height threshold

16. An area of particular concern has been the restriction of funding to buildings above 18 metres (although the Funding Prospectus, published in May 2020, made clear that there would be a 30cm tolerance). Several groups, including representatives of residents and freeholders, called for consistency with the Government’s consolidated Advice Note of January 2020, which said that buildings below 18 metres could also be high-risk and require urgent remediation of dangerous cladding. Long Harbour and HomeGround told us:

We are therefore concerned that limiting the fund to buildings over 18 metres in height excludes a potentially significant category of “high-risk” buildings already identified by the Government as a risk if combustible materials are present, and where the cost of remediation would otherwise be covered if the building did meet the height threshold. We cannot see the logic of this approach.

Several witnesses noted that the two most high-profile fires in the last year—at The Cube in Bolton and at Samuel Garside House in Barking—were in buildings below 18 metres. The National Fire Chiefs Council told us that, of the 100,000 buildings between 11 metres and 18 metres high, a number will require expenditure to address fire safety issues. ARMA called on the Government to prioritise buildings not just in terms of their height, but “primarily in terms of their risk profile”. We note, for example, a proposal for the development and implementation of a risk based priority rating system, which has recently been put forward by Ballymore and Urban Change. Indeed, we have previously called on the Government to use “a more complex risk matrix” when determining the scope of the Building Safety Bill; a similar approach may be appropriate here too.

17. In addition, we heard concerns from fire safety expert, Dr Jonathan Evans, that the Funding Prospectus excluded several buildings by adopting a methodology for ‘measuring the height of your building’—diagram D6 of Approved Document B—which measures height from the ground level to the surface of the top floor, as opposed to the roof level. Several buildings—which measure above 18 metres to the roof, but below 18 metres to the surface of the top floor—have therefore been excluded from applying to the fund.

21 Q35 (Lord Greenhalgh, Minister for Building Safety)
22 Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings, Ministry of Housing, Communities and Local Government, January 2020
23 Long Harbour and HomeGround (CPR0027)
24 Q20 (Rituparna Saha, UK Cladding Action Group)
25 National Fire Chiefs Council (CPR0017)
26 Association of Residential Managing Agents (CPR0019)
27 External wall fire risk in multi-occupied residential buildings: A proposal for the development and implementation of a risk based priority rating system, Ballymore and Urban Change, May 2020
28 Building Regulations and Fire Safety: Consultation Response and Connected Issues, HC 2546, Housing, Communities and Local Government Committee, 18 July 2019, para 65
29 Letter to the Chair from Dr Jonathan Evans, Chairman of Ash and Lacy (28 May 2020)
Exclusion of social landlords

18. Social sector representatives highlighted concerns that they would be prohibited from accessing the new Building Safety Fund, unless they were able to demonstrate they were ‘unable to pay’. A letter from Neil O’Connor, Director of Building Safety at the Ministry of Housing, Communities and Local Government, on 6 April 2020 said:

In the social sector, [the Building Safety Fund] will focus on those landlords who are unable to pay [...] We know many building owners in the social sector are already rightly prioritising and taking forward this remediation work. We expect them to continue with this action so we can prioritise this funding for those who cannot afford the cost, which is creating a barrier to remediation and building safety.

The Funding Prospectus clarified that there would be restrictions on funding for local authorities and other social housing providers:

[...] the Department will only fund works where remediation costs threaten the financial viability of the provider or the Housing Revenue Account. For local authorities, this will require a declaration from a section 151 officer at registration phase. Registered Providers (Housing Associations) will be required to provide a business case to the Department setting out their financial position and options. The Regulator of Social Housing must be notified as soon as possible.

19. The Mayor of London told us he was “particularly concerned about moves to exclude social landlords from accessing funding”, with accompanying evidence from the Greater London Authority explaining that this would negatively impact the social housing sector in four ways: reducing their ability to build genuinely affordable homes; taking resource away from repairs and maintenance on existing homes; forcing providers to increase rents; and requiring social sector leaseholders and shared owners to be recharged for remediation works. On this final concern, the Funding Prospectus clarified that a claim process will be opened in July 2020 for social providers where remediation costs which would otherwise be passed to leaseholders.

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30 For example, Local Government Association (CPR0005) and National Housing Federation (CPR0031)
31 Remediation of unsafe non-ACM cladding systems on residential buildings, letter to stakeholders from Neil O’Connor, Director of Building Safety at the Ministry of Housing, Communities and Local Government, 6 April 2020
32 Building Safety Fund for the remediation of non-ACM Cladding Systems (England only), Registration Prospectus, Ministry of Housing, Communities and Local Government, 26 May 2020, page 6
33 Greater London Authority / Mayor of London (CPR0025)
34 Building Safety Fund for the remediation of non-ACM Cladding Systems (England only), Registration Prospectus, Ministry of Housing, Communities and Local Government, 26 May 2020, page 6
Further restrictions on accessing the fund

20. The Funding Prospectus also set out several further exclusions on applications to the fund, including for:  

- remediation work on buildings with non-ACM cladding systems in scope that had been committed to, or where work had started on site, prior to the Budget announcement on 11 March 2020;  
- other non-residential buildings, for example hotels, hospitals and buildings where there are no residential leaseholders.  

The Prospectus is clear that the fund is limited to £1 billion and will be operated on a first-come-first-served basis. We note as well that the application window for the fund is very narrow, closing before the end of July 2020, which may lead to the exclusion of buildings where it continues to be unclear whether unsafe cladding is present.

Insufficient on its own terms

21. Taken on its own terms—a fund to remove and replace only combustible cladding on all buildings above 18 metres—it is clear that most organisations do not expect £1 billion to be sufficient. The Greater London Authority told us that the average cost of cladding remediation was £1.7 million per building, suggesting that the £1 billion fund would only be sufficient to remediate approximately 600 buildings. It is important here to recall the Minister’s evidence that there are likely to be 1,700 buildings with non-ACM cladding requiring urgent remediation. The Greater Manchester High Rise Taskforce reported that the average cost for remediation of buildings in Greater Manchester was £4 million, meaning that approximately 25% of the fund could be required to fund remediation of high rise buildings within Greater Manchester alone. ARMA told us the fund was “clearly insufficient”, noting that the average cost of cladding remediation across ARMA members had been £1.62 million per building.

22. The Government appears to be fully aware that the fund will not be sufficient to cover all buildings within its scope. Neil O’Connor told the Committee that the cost of remediating all buildings is likely to be between £3 billion and £3.5 billion:

The Minister mentioned that we have a working assumption that there may be around 1,700 buildings over 18 metres with unsafe types of cladding out there. The cost of fully remediating all of that may be as much as £3 billion or £3.5 billion. These are very rough estimates that we are making at this stage.

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35 Building Safety Fund for the remediation of non-ACM Cladding Systems (England only), Registration Prospectus, Ministry of Housing, Communities and Local Government, 26 May 2020, page 6
36 Building Safety Fund for the remediation of non-ACM Cladding Systems (England only), Registration Prospectus, Ministry of Housing, Communities and Local Government, 26 May 2020, page 8
37 Greater London Authority / Mayor of London (CPR0025)
38 Q22 (Lord Greenhalgh, Minister for Building Safety)
39 Greater Manchester High Rise Taskforce (CPR0029)
40 Association of Residential Managing Agents (CPR0019)
41 Q35 (Neil O’Connor, Director for Building Safety, MHCLG)
23. The £1 billion Building Safety Fund announced by the Chancellor in March is much needed and very welcome. However, it is not “what the Select Committee called for”, as the Chancellor told the House. We called for—and continue to call for—a fund that:

- Applies to all high-risk buildings—of any height;
- Covers a range of fire safety defects, including combustible insulation;
- Covers all costs associated with remediation works.

24. It is clear that £1 billion will not be sufficient to remediate all 1,700 buildings with combustible non-ACM cladding above 18 metres. The Government’s own estimate is that this will cost between £3 billion and £3.5 billion. Our expectation is that the funding will only be sufficient for 600 buildings: one-third of the total. The Government should not allocate funding on a first-come-first-served basis and instead guarantee that additional money will be made available when it inevitably becomes necessary.

25. We are concerned by the number of exclusions that exist in the Funding Prospectus for the Building Safety Fund, which suggest that the Government is trying to find ways to fit a £3 billion liability into a £1 billion funding pot. In particular, it would be entirely wrong for social landlords to be prohibited from accessing the Building Safety Fund. If local authorities and social housing providers are forced to pay for remediation works from their own budgets, this would have a very detrimental impact on the number of affordable homes they are able to build and to the maintenance and refurbishment of existing buildings, while putting an upward pressure on social rents. The Government must ensure that social housing providers have full and equal access to the Building Safety Fund.

26. The Government should urgently clarify if they intend this fund to be a rolling fund whereby funding is provided to make buildings safe whilst attempting to secure return of costs from building owners. If this is the case, then the assumptions made should be published as well as the impact on costs not being recovered.

**Remediation of additional fire safety defects**

27. What has become very clear, particularly as extensive buildings surveys are undertaken of high-rise and high-risk buildings in the wake of the Grenfell Tower fire, is that fire safety problems extend far beyond dangerous cladding. Perhaps this should have been expected, given that Dame Judith Hackitt’s Independent Review of Building Regulations and Fire Safety had found the construction industry to have a culture of ignorance of building regulations and associated guidance, indifference to the rules and a motivation to do things as quickly and cheaply as possible, and a lack of clarity on roles and responsibilities.\(^42\) As Alex Di-Giuseppe of Manchester Cladiators said, “if there are problems on the outside, you can bet your bottom dollar that there are problems on the inside”.\(^43\)

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\(^{43}\) Q13 (Alex Di-Giuseppe, Manchester Cladiators)
28. This was one of the clearest messages from our survey of 1,350 residents. As anticipated, the vast majority (70%) told us about the different forms of combustible cladding that continue to require removal from their buildings. But a significant number also told us about other serious fire safety defects in their buildings. These included, but were not limited to: missing or inadequate fire breaks (noted by 34% of respondents), combustible or missing insulation (30%), timber balconies or walkways (14%) and inadequate fire doors (5%). Residents told us:

- I have highly flammable insulation, missing fire breaks, missing compartmentation, poorly fitted fire protection to the structural steel and poorly fitted fire doors. I fear for my life on a daily basis.

- Combustible timber cladding, lack of fire breaks, faulty alarm system, plus a long list of other things that have been wrapped up into a very confusing bundle of technical jargon by the management company.

- Everything that can be wrong, is wrong.

29. These are experiences confirmed by managing agents and freeholders. The Association of Residential Managing Agents (ARMA) told us, “Once remediation works commence and cladding systems are removed, it seems not uncommon to find that the construction of the building itself in terms of internal compartmentalisation and fire breaks in communal areas and between flats also require correction”. Similarly, freeholders Long Harbour and HomeGround reported that, where an intrusive investigation behind an external wall system has taken place, their experience has been that this often reveals other issues, such as missing barrier and cavity protection to prevent the spread of fire within voids, or poorly fitted components compromising the integrity of the system as a whole. The LGA also noted concerns around the historic issues with large panel system buildings, some of which have been found to have been inadequately strengthened or to have deteriorated significantly as they reach the end of their intended life.

30. It was also clear from the responses to our survey that there is an ongoing lack of clarity for residents regarding the extent of fire safety defects in their buildings. This was partly due to a lack of qualified professionals able to undertake the surveys to confirm whether or not there are internal fire safety defects in a building. But there is also a concerning lack of transparency. One respondent told us they had made, “repeated attempts to get the management agency to assess this but they have said they will not undertake a survey or carry out remedial work in the future”. Evidence from Hackney Council also noted how many residents were experiencing delays in the remediation of their buildings “due to a lack of transparency from building developers about what materials were used in the construction of their homes”, which had led to “many leaseholders spending countless hours trying to access [these] details”.

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44 Combustible cladding survey highlights ongoing issues in residential buildings, Housing, Communities and Local Government Committee, 6 May 2020
45 Association of Residential Managing Agents (CPR0019)
46 Long Harbour and HomeGround (CPR0027)
47 Local Government Association (CPR005)
48 Q13 (Rituparna Saha, UK Cladding Action Group)
49 Combustible cladding survey highlights ongoing issues in residential buildings, Housing, Communities and Local Government Committee, 6 May 2020
50 Hackney Council (CPR0012)
31. Too many residents are still unaware of whether their buildings are safe. Sometimes this is because their buildings are yet to be surveyed, due to a national shortage of qualified professionals. But often it is because developers, building owners and managing agents have unreasonably refused to pass information on. Where this is the case, the Government must compel those in positions of responsibility to be honest with their residents about fire safety defects in their buildings.

Calls for funding for all fire safety defects

32. Representatives of residents, freeholders, managing agents, local authorities and others called on the Government to recognise that these issues are just as important to deal with as combustible cladding and should be included in an extended Building Safety Fund. Rituparna Saha, representing UKCAG, told us that there was “literally no difference” between combustible cladding and other construction defects:

I would really challenge anyone in Government to let me know what the difference is between a construction defect that caused combustible cladding to be put on the outside of a building and a construction defect that caused insulation to be used that was not fit for purpose or fire breaks to not be there [...] so why are the Government funding one kind but not the other [...] It makes no sense.\(^{51}\)

Manchester Cladiators also noted the lack of alignment between the Government’s own Advice Notes and the funding it had made available:

[... ] there are lots of residents whose issues are not with unsafe cladding, but other serious fire safety issues including, but not limited to, the structural steel framework of the building not being fire protected, serious fire door issues and issues with deficient internal compartmentation between floors, flats and communal areas. We do not understand why these issues are acknowledged in the Government’s Advice Note 14, but they are not currently eligible for the Building Safety Fund. They must be aligned.\(^{52}\)

33. Long Harbour and HomeGround explained that, without additional funding from the Government, it “may potentially still leave leaseholders facing significant costs for mitigating safety measures that are not covered by current funding proposals”.\(^{53}\) Indeed, Rituparna Saha told us that there was a block in east London where the leaseholders have already been billed between £83,000 and £250,000 per flat to fix issues associated with insulation and lack of fire breaks.\(^{54}\)

34. Funding for other fire safety defects would, of course, be very expensive for the Government. Widely quoted in our evidence was the National Housing Federation’s estimate, from March 2020, that the cost of fixing all fire safety issues in the social sector alone could “easily exceed” £10 billion.\(^{55}\) Of course, it is very difficult to estimate the potential cost of a scheme that would include private sector buildings. But if we are to take as instructive that twice as much money was provided for the removal of ACM cladding

\(^{51}\) Q15 (Rituparna Saha, UK Cladding Action Group)
\(^{52}\) Manchester Cladiators (CPR0024)
\(^{53}\) Long Harbour and HomeGround (CPR0027)
\(^{54}\) Q13 (Rituparna Saha, UK Cladding Action Group)
\(^{55}\) Social landlords ‘face £10bn bill to fix fire safety problems’, The Guardian, 2 March 2020
on social sector buildings (£400 million) as was the case for private sector buildings (£200 million), then one might use a similar ratio to estimate an overall cost of £15 billion to remediate all fire safety defects from both social and private sector buildings in England.

35. The Government’s own Advice Notes make clear that it is more than just combustible cladding that requires urgent remediation. There is no point fixing the cladding, but leaving a building fundamentally unsafe. We believe that there is no reason to fund the remediation of some fire safety defects but not others. Our view is that funding will need to be increased to address all fire safety defects in every high-rise or high-risk residential building—potentially costing up to £15 billion.

36. We recognise that this would be an expensive commitment and we would much prefer to see that money spent on social care, homelessness services or social housing. But if the Government doesn’t step in and provide this funding, let us be clear: it means tens of thousands of residents sent massive bills for problems that aren’t their fault, which, in many cases, will be a financial burden from which they will never recover and could in some cases lead to potential bankruptcy; it means thousands fewer affordable homes, as councils and housing associations are forced to divert funds to remediation projects; and worst of all, it will mean that some works are never carried out, with people continuing to live in dangerous buildings for years to come.

Contributions to an expanded Building Safety Fund

37. We recognise that it is not enough simply to propose an additional £15 billion of Government spending; it is also important to consider how it might be paid for. Were the Building Safety Fund to be extended in the way we have called for, consideration would need to be given to the extent to which contributions should ultimately be shared by taxpayers, leaseholders, freeholders, developers, product manufacturers, local authority building control and Approved Inspectors, and other stakeholders in the sector.

38. There was unanimity in our evidence that residents should not be responsible in any way for paying for remediation works. Rituparna Saha, representing the UKCAG, told us:

> These are not defects that we had any hand in creating, so why on earth should we be made legally and financially responsible for fixing these defects? It does not happen in any other sector. If you buy a toaster that is found to be defective, you return it and you get your money back. If you buy a car and the engine starts bursting, you would return it and the car would be recalled. How is it that in the issue of building safety it is the end consumer, who had nothing to do with causing these defects, that is being held liable for paying for these defects? This must change.

The Minister agreed, telling us that these costs should not fall on leaseholders: “I feel very bad about that. I really stand four-square behind the leaseholders. This is not something that should be burdening them”.

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56 Q7 (Rituparna Saha, UK Cladding Action Group)
57 Q38 (Lord Greenhalgh, Minister for Building Safety)
39. In his letter giving Ministerial direction for the implementation of the Building Safety Fund, the Secretary of State appears to have accepted that taxpayers will “pick up a significant proportion of the costs” of the existing £1 billion Building Safety Fund. However, several respondents to our survey expressed their view that taxpayers should not be ultimately responsible for remedial works, instead calling on the Government to ensure that those who caused this crisis are held accountable in the longer term.

40. Establishing blame for this crisis has not been easy. Indeed, in the case of the Grenfell Tower fire, a police investigation and Public Inquiry continue to examine these issues. More generally, however, several stakeholders—particularly freeholders—told us that they blamed the Government for its failure to effectively regulate building and fire safety. Others, including the Local Government Association, pointed to failures in the construction industry, telling us that “the developers who have profited from providing inadequate buildings should be required to pay their share of the bill”.

41. An area of particular focus has been on who signed-off affected buildings as safe. In some cases, developers were able to choose their own Approved Inspectors to sign off a property as safe—something the Committee has previously noted as a clear conflict of interest and which the Government has prohibited in future. In other cases, buildings were signed off by local authority Building Control teams, where, some argue, developers might not necessarily be blamed for the fire defects. Neil O’Connor, Director of Building Safety, told us, however, that getting building sign-off does not let a developer off their responsibility to comply with the building regulations:

   The law is that the building regulations apply and the responsibility for complying with them applies to the person conducting the works. Getting building control sign-off does not let you off that responsibility. The legal requirement that you have to meet—not what is written in the guidance but the actual statutory legal requirement—is to build in a way that adequately resists the spread of fire up the external wall […] The onus is on the person doing the work to get that right.

42. Freeholders called on the Government to introduce a longer-term funding solution that would spread the burden of these costs as widely as possible. They proposed four potential solutions, including:

   • a building control levy on the sale of every new-build apartment property;
   • a charge (tax) paid by the developer upon the sale of freehold;
   • an increase to Insurance Premium Tax; and
   • a VAT charge on the sale of new-build properties.

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58 Letter from the Secretary of State to the Permanent Secretary, 26 May 2020
59 Combustible cladding survey highlights ongoing issues in residential buildings, Housing, Communities and Local Government Committee, 6 May 2020
60 Long Harbour and HomeGround (CPR0027) and Consensus Business Group (CPR0026)
61 Local Government Association (CPR005)
62 Independent review of building regulations and fire safety: next steps, HC 555, Housing, Communities and Local Government Committee, 18 July 2018
63 Q53 (Neil O’Connor, Director for Building Safety, MHCLG)
64 Consensus Business Group (CPR0026)
They estimated that these measures could raise £450 million per year.

43. **Funding of remediation should reflect where blame lies.** It is clear that there have been widespread failures. What is also clear, however, is that residents are in no way to blame and it is our view that they should bear none of the cost of remediation.

44. **Given the urgency of these remediation works, it is necessary for the Government to provide the funding up front.** However, it cannot be fair for the financial burden of remediating buildings to rest solely with taxpayers. Those who are responsible for this crisis should be made to contribute. **For each affected building, the Government should actively seek to recover funds from the construction companies, architects, suppliers of faulty products, approved inspectors and any others who are found to be responsible for fire safety defects.**

45. **Consideration should also be given to how the remaining burden for funding should be shared.** The Government should undertake a review of proportionate taxes on freeholders, developers and others to help fund these remedial works. **This should include consideration of a temporary levy linked to the sale of new-build properties, as has been proposed by some industry stakeholders.**

**Missed targets and the need for a new approach**

46. The Government has failed to meet the targets it has set for the remediation of buildings with combustible ACM cladding. In July 2019, the then Secretary of State, Rt Hon James Brokenshire, told the House;

> My expectation is that, other than in exceptional circumstances, building owners should complete remediation within six months of agreeing a plan—by June 2020.

When he made that commitment, there were 324 high-rise residential and publicly owned buildings with ACM cladding systems unlikely to meet Building Regulations yet to be remediated in England. 65 Almost one year on, there are still 307 such buildings. There has been much criticism of the slow pace of remediation of buildings with ACM cladding. The NFCC told us, “[…] it is clear the pace of remediation has not moved quickly enough.” 66 The slow progress has been acknowledged by the Government, with Lord Greenhalgh, Minister for Building Safety, telling us:

> […] there are a considerable number of sites that have not even started remediation of ACM, which […] is completely unacceptable. 67

**Lessons from the last three years**

47. If lessons are to be learned for the remediation of a wider range of fire safety defects, it is important to consider why it has taken so long for ACM cladding to be removed from high-rise buildings.

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65 Building Safety Programme: Monthly Data Release (July 2019), Ministry of Housing, Communities and Local Government
66 National Fire Chiefs Council (CPR0017)
67 Q21 (Lord Greenhalgh, Minister for Building Safety)


**Building owners should be held responsible**

48. The Minister put much of the blame on the building owners, the freeholders, for not meeting their responsibilities to keep buildings safe. He told us that freeholders who had not yet initiated building works, despite having had access to Government funding for the last nine months, should be viewed as “pariahs” in the business world:

> We cannot allow these people to have a good name if they are the beneficial owner of a building, three years on from Grenfell, that still has unsafe cladding. It is an absolute outrage that they have pocketed all of that money and are sitting in the Cayman Islands, enjoying the fruits of that, and not fixing this problem. It is simply unacceptable.  

Freeholders, including Wallace Partnership Group, defended the role that they had played, particularly in the period before Government funding had been made available for private sector buildings.  

They noted how many freeholders had “looked for other solutions that protect homeowners from the cost”, including pursuing warranty claims and persuading original developers to fund the repairs.

**A flawed Government strategy**

49. Others said that the Government should share some of the blame for the slow progress of remediation. Manchester Cladiators argued that “The Government must be held to account for its flawed strategy and resulting severe delays and now take urgent steps to make buildings safe.”  

They criticised the Government’s initial approach of asking developers and freeholders not to pass on the costs of remediation to leaseholders, while knowing that, in most cases, they were under no legal obligation to do so. Protracted arguments over who was responsible for funding remediation works had been a significant contributor to these ongoing delays.

50. One of the clearest lessons of the last three years is that remedial works are unlikely to take place unless the Government provides funding—or, where they do, costs will almost always be passed on to leaseholders. This is an argument the Government appears to have now accepted for the remediation cladding. In a letter giving Ministerial direction for the implementation of the Building Safety Fund, the Secretary of State noted that Government funding was “the only effective way to achieve this”:

> To not do so will leave residents facing unacceptable risks and costs. The Prime Minister and I are clear that this cannot continue and that where possible leaseholders should not be facing life changing costs [...] I am persuaded that, having considered several alternatives, the only effective way to achieve this increase at the current time is to remove the financial barriers to remediation. In practice, I am clear that removing the constraint created by the need to pass on costs to leaseholders will be the most effective way to increase pace. I expect building owners to have done everything they can to pursue other funding options before calling on the taxpayer or their leaseholders to meet the cost of work.

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68 Q54 (Lord Greenhalgh, Minister for Building Safety)

69 Wallace Partnership Group (CPR0016)

70 Manchester Cladiators (CPR0024)

71 Letter from the Secretary of State to the Permanent Secretary, 26 May 2020
51. The Government has not applied this principle to other fire safety defects, however. When asked whether funding would be extended, the Minister emphasised that the Building Safety Fund was put in place to remediate unsafe cladding only and that, where costs extended beyond cladding, “the Government will not fund all of this”. He told us that it was “building owners that have a duty to do this” and that costs should not be passed on to leaseholders:

[…] what we have said is that the building owners should do the right thing for this. The people who have made profits on these buildings—the building owners, the freeholders and the developers—should not be passing these costs on to leaseholders.

The call for freeholders to fund remediation works is one that Ministers have made repeatedly over the last three years. However, it should be noted that, in most cases, freeholders have no legal responsibility for paying for these works. A moral duty is not legally enforceable. Further, the fiduciary duty owed by directors of commercial companies to their shareholders could represent a conflict for those considering who should meet the cost of fire safety works.

52. It is concerning that the Government is again falling back on the argument that responsibility for paying for the remediation of fire safety defects is the responsibility of ‘building owners’. Freeholders do have a legal responsibility to ensure remedial works are undertaken, but they usually do not have a legal duty to pay for them, regardless of how we feel about the morality of the situation. The last three years has shown that building owners simply will not ‘do the right thing’—however often Ministers ask—and leaseholders will continue to receive extremely high bills for things that aren’t their fault. If the Government wants this to change, it has to intervene directly.

A new target for the remediation of all affected buildings

53. The Minister for Building Safety was deliberately cautious not to set a new ‘target’ for the remediation of buildings with ACM cladding, preferring instead to talk of his ‘ambition’ for all remaining buildings to be remediated by the end of 2021:

One ambition, as opposed to a commitment, is that the objective for the ACM fund is that, despite covid, we get on site with all those […] buildings by the end of the year, and then the works follow on from that and will be completed sometime in 2021 […] I accept that previous targets have not been made and this was not really presented to you as a target. I am saying the ambition is to get on site by the end of this year […] I am giving you our honest ambition, but this is not just dependent on MHCLG or central Government. It is something where we do need to march in step at all levels of government to make this happen.

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72 Q37 (Lord Greenhalgh, Minister for Building Safety)
73 Q37 (Lord Greenhalgh, Minister for Building Safety)
74 This is a summary of points put forward by Bob Neill MP during a Westminster Hall debate on 6 March 2018 (Column 80WH)
75 Q30 (Lord Greenhalgh, Minister for Building Safety)
54. It is also important to note just how complex many of these remediation projects are—although this is no excuse for not having begun remedial works at all. The Greater London Authority (GLA) told us that, “Cladding remediation is complex and takes time to carry out competently and thoroughly”, and that the entire duration of cladding remediation on a high-rise building often takes around two years. This was supported by the Greater Manchester High Rise Taskforce who noted that, of the 20 buildings in their area for which timescales had been provided, eight would take in excess of two years to complete remedial works.

55. We believe that there needs to be an urgent national effort to remediate all affected buildings, starting now. The Government should set a realistic target—not merely an ‘ambition’—that all buildings of any height with ACM cladding should be fully remediated of all fire safety defects by December 2021. Buildings with any other fire safety defect, including non-ACM cladding, should be remediated before the fifth anniversary of the Grenfell Tower fire in June 2022.

56. In the same way as it has done for buildings with ACM cladding, the Government should publish a monthly data release on the number of buildings with non-ACM cladding and other serious fire safety defects awaiting remediation.

**What more could the Government do to achieve this?**

57. Setting a target, or having an ‘ambition’ is one thing, but having a plan to achieve it is another. In addition to the funding for the remediation of buildings above 18 metres with any form of dangerous cladding, the Government has implemented new enforcement powers for local authorities through an addendum to the Housing Health and Safety Rating System (HHSRS) in November 2018, which has led to local authorities taking formal action against at least 20 buildings. It is putting into legislation a new Fire Safety Bill, which will clarify that building owners, and their managing agents, are responsible for ensuring the safety of the external walls of the building, including cladding, allowing Fire and Rescue authorities to take enforcement action where building owners do not meet their responsibilities (although this would not stop them passing on bills to affected leaseholders). It will soon bring forward a Building Safety Bill, to implement the recommendations of the Independent Review of Building Regulations and Fire Safety, which this Committee looks forward to scrutinising in detail. In February 2020, the Government named and shamed freeholders who had failed to begin remediation works, despite the availability of funding—it is right for us to do so again here:

- Adriatic Land 3 Limited
- Chaplain Limited
- Grangewalk Developments Limited
- RMB 102 Limited
- STG Management (London) Limited

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76 Greater London Authority / Mayor of London (CPR0025)
77 Greater Manchester High Rise Taskforce (CPR0029)
78 Q47 (Neil O’Connor, Director for Building Safety, MHCLG)
79 Fire Safety Bill 2019–20, House of Commons Library, 27 April 2020
80 Queen’s Speech, 19 December 2019
81 Corporate entities without a plan for remediating unsafe ACM cladding, Ministry of Housing, Communities and Local Government (accessed: 25 May 2020)
As noted by the Minister, however, most of these are shell companies where the beneficial owner is hidden and “naming and shaming shell companies is not particularly effective”.

58. So what more could the Government reasonably do to speed up the pace of remediation? One of the options noted by the Minister was an increased use of Compulsory Purchase Order (CPO) powers to purchase the freehold of buildings where current building owners are failing to undertake remedial works:

We know that authorities have compulsory purchase powers to step in and take buildings away from those people who are not fulfilling their legal obligations, and that may be a default option [...] “Whatever it takes to get this done” has to be the mantra of government at every level.\footnote{Q55 (Lord Greenhalgh, Minister for Building Safety)}

We are not aware of any circumstances where CPO powers have been used this way in this way by local authorities. We expect this is largely due to the fact that such processes are complex, time-consuming and expensive.

59. \textit{We would support a much more extensive use of Compulsory Purchase Order (CPO) powers, to take direct ownership of the freehold of buildings with serious fire safety defects. The Government should give urgent consideration to the setting up of a new national body whose sole purpose is to purchase the freehold and manage the remediation of buildings with serious fire safety defects. This new body should step in where overburdened local authorities are unable or unwilling to act. The valuation of buildings under CPO should consider the cost of remediation and this should be deducted from any financial consideration paid to the building owner. Consideration of legislative changes should be included in the forthcoming Building Safety Bill. Any residential building where works have not commenced by December 2020 should be subject to a CPO by this new body.}

60. \textit{Once a building has been fully remediated, the new body should take the opportunity to convert freeholds into commonhold, kick-starting a revolution in how such buildings are owned and managed in future—as we called for in our Leasehold Reform report in April 2019. Leaseholders in such buildings should be consulted and informed of the costs and responsibilities involved. The aim should be to empower existing leaseholders.}

61. We also heard concerns around the ability of those responsible for buildings to gain access to leaseholder-owned properties in multi-occupancy residential buildings. London Councils told us that new legislation may be required to address an emerging problem for many social landlords:

The Building Safety Manager (BSM) and/or the accountable person will not be able to holistically manage a building without robust powers to enter, inspect, and enforce action where appropriate. A recent High Court ruling against Oxford [City] Council in \textit{Piechnik v Oxford CC} stated that the council does not have the right to access a leaseholder property in a social block to install fire safety improvements.\footnote{London Councils (CPR0021)}
62. *The Government should undertake a review to determine whether new legislation will be required to ensure those responsible for building safety have a legal right to gain access to leaseholder-owned properties in multi-occupancy residential buildings. The Government should publish its findings within six months and undertake to bring forward whatever legislation may be necessary to remedy the situation. The forthcoming Building Safety Bill should provide the necessary clauses to enable the Secretary of State to implement any requirements by secondary legislation.*

**The importance of testing**

63. It is clearly important that, where remediation works are taking place, we can have full confidence that any new materials that are used are safe. Some assurance can come from the ban on the use of combustible materials in the external walls of high-rise residential buildings, something Neil O’Connor (Director for Building Safety at the Ministry of Housing, Communities and Local Government) described as “the key change”. The combustible cladding ban was implemented in November 2018, following calls from this Committee, local authorities and other stakeholders for restrictions on the use of flammable materials in the external wall surfaces of high-rise and high-risk buildings. The ban restricted the use of materials in an external wall and specified attachments to those achieving Class A2-s1, d0 or Class A1 and applied to any building with a storey at least 18 metres above ground level that contain one or more dwellings, an institution, or a room for residential purposes (excluding hostels, hotels, or a boarding house). The Government is currently undertaking a review of the ban on combustible cladding, proposing to extend its scope to all buildings—including hostels, hotels, and boarding houses—above 11 metres.

64. However, concerns remain around the adequacy of the testing regime used to determine the safety of products. Mr O’Connor told us that the Government had banned the use of desktop studies and noted:

> We do not even allow systems that have been put through the old British Standard BS 8414 test, which is a wall system test. All of those things are no longer permissible for cladding on high-rise buildings. That is the fundamental change.

However, we recall that the Independent Review of Building Regulations and Fire Safety concluded that, “the product testing, labelling and marketing regime is opaque and insufficient” and called for a “more effective testing regime”. We are reminded of evidence we heard in 2018 from Mirella Vitale, Senior Vice President at Rockwool, who described the BS 8414 large-scale fire safety test as “deeply flawed”, arguing that it did not...
“reflect real life conditions”, failed to assess “the extreme, the worst possible scenario”, and did not reach “incontestable conclusions”. 90 While others, including Sir Ken Knight, then told us that this was a “very high-bar test”, we concluded that:

The Government should work with fire safety experts and the industry to agree a new testing regime that has much wider industry support and can be fully trusted. A new system should better reflect real-world conditions, reach near-incontestable conclusions, and be more transparent, with details of test failures and re-run tests made publicly available. 91

In its response to our report, the Government did not take forward our recommendation for a review of the testing regime. 92

65. While we recognise the importance of the combustible cladding ban and the discontinuation of the use of desktop studies, we remain concerned that there is a lack of consensus around the efficacy of the wider testing regime. We reiterate our call for a review of product testing, including the performance of materials in real-life scenarios such as windows, vents or other openings, leading to the implementation of a regime that can command wider industry support and bring reassurance to residents.

90 Q220, Q233, Q235 (Mirella Vitale, Rockwool), 27 June 2018
91 Independent review of building regulations and fire safety: next steps, HC 555, Housing, Communities and Local Government Committee, 18 July 2018, para 49
2 The toll on residents

While important, focusing on the rate of remediation can lead us to forget the human side of this story: the ongoing financial costs and the toll on people’s physical and mental health as they wait months, or years, for their buildings to be made safe. This chapter outlines the costs residents have faced with interim fire safety measures, including 24-hour fire patrols (‘waking watches’) and new fire alarm systems. It considers difficulties residents have had in obtaining buildings insurance, obtaining new mortgages and selling their properties. We conclude by calling on the Government to recognise the public health crisis caused by these ongoing delays.

Interim fire safety costs

As residents continue to wait for their buildings to be made safe, many are forced to pay very high costs for interim fire safety measures. Typically, these are incurred for the installation of new fire alarm systems and to put in place 24-hour waking watch patrols. Results of a survey undertaken by the Greater Manchester Highrise Taskforce showed that over 50% of owner occupiers and 16% of private tenants said they were suffering from increased costs, with one resident reporting an increase in service charges from £90 to £400 a month and another facing an increase in the service charge to £1,000 a month to cover the cost of remediation. Rituparna Saha told us about her experience and that of others in the UK Cladding Action Group she co-founded:

In my own building, from November 2017 to date, we have spent more than £400,000 across 57 flats for the fire warden and another £120,000 for the fire alarm […] My personal costs have been more than £13,700 in the last two years for waking watch and a fire alarm alone […] I can give you the example of a building in London where each leaseholder is paying £300 per month for their waking watch. In Birmingham, some leaseholders are paying over £500 a month. There is a building in Leeds where each leaseholder is paying more than £840 per month for their waking watch. This is more than the cost of their mortgage.

She noted a recent Freedom of Information (FOI) request to fire authorities, which showed that there were, as of April 2020, 420 buildings in which waking watches were taking place. As highlighted by the Greater London Authority, “Delayed remediation timescales mean that waking watches will be needed for longer”, placing a significant and ongoing financial burden on leaseholders.

Review of the effectiveness of these measures and their cost

Many residents doubted the effectiveness of the measures they were being forced to pay thousands of pounds for. Alex Di-Giuseppe of Manchester Cladiators called for a review of the effectiveness of the waking watch system:

93 Greater Manchester High Rise Taskforce (CPR0029)  
94 Q9 and Q11 (Rituparna Saha, UK Cladding Action Group)  
95 Q9 (Rituparna Saha, UK Cladding Action Group)  
96 Greater London Authority / Mayor of London (CPR0025)
The question I have to you guys is, would you feel safe if there was a waking watch warden walking round your block of residence in a high-vis jacket with a klaxon, knowing that the only way that they were going to wake you up was either knocking on your door or sounding that klaxon? Let us be brutally honest. There are normally 100 people in an apartment block, on average, and he has to get around to every person. That is people on the top floor and people on the bottom floor.97

Rituparna Saha also called for a review of interim fire safety measures, telling us that waking watches appeared to be “more for the protection of the freeholders and managing agents rather than having really anything to do with protecting the leaseholders living there”.98 Leeds Cladding Scandal, a campaigning group for residents affected by fire safety issues, told us that waking watches were often used by freeholders and management companies as their primary means of ongoing mitigation of risk, and therefore were not progressing at pace with plans for remediation:

Even where alarms could reduce or remove waking watch—and reduce significant charges to leaseholders—it is the experience of many Leeds leaseholders that building management companies have no incentive to move swiftly once a waking watch is installed.99

69. In fact, the Minister for Building Safety told us that he had already undertaken a review of waking watches and other measures to ensure buildings remain safe before they are remediated and outlined his findings to us.100 He recommended that the National Fire Chiefs Council should update their guidance for buildings where the ‘stay put’ policy had been suspended, and asked the Protection Board of the Fire and Rescue Service to encourage greater use of cost-effective measures in affected buildings. He also committed to publishing data on the costs of waking watch, noting that “frankly, some of the charges are usurious” and expressing his view that the “spotlight of transparency on the disparity of costs” would lead to a reduction in charges.

70. We are concerned that, in many cases, 24-hour waking watch fire patrols are inadequate, unduly expensive and have wrongly become the primary means of mitigating risk for many freeholders. The Government told us it had recently undertaken a review of waking watches and had called for changes to the relevant guidance. In its response to this report, the Government should outline how guidance will be changed to ensure residents have a right to the most effective fire safety measures.

71. We note the Minister’s view that some of the charges to residents for interim fire safety measures are “usurious”. We agree that greater transparency of costs could lead to lower charges for residents, but more could be done to protect residents. Last year, the Competition and Markets Authority (CMA) undertook an investigation into the leasehold sector at this Committee’s request, finding evidence of excessive and disproportionate fees charged to leaseholders. We now call on the CMA to investigate these “usurious” charges for interim fire safety measures, as part of its ongoing work into the leasehold sector.
Funding of interim fire safety costs

72. Representatives of residents, freeholders, managing agents and local authorities urged the Government to cover the costs of these interim fire safety measures. The Mayor of London told us he was “particularly concerned about […] the failure to provide funding for interim safety measures such as waking watch” and urged the Government to expand the scope of its funding. FirstPort, which manages 200,000 homes in the UK, highlighted the financial burden placed on leaseholders, particularly during the Coronavirus pandemic, and told us that residents needed support for these interim measures. Rituparna Saha emphasised the urgency for residents:

My personal costs have been more than £13,700 in the last two years for waking watch and a fire alarm alone. How many more years am I going to be able to sustain this? As I said, these costs are onerous; they are huge […] Make no mistake: this is the immediate cost that is facing us right now and it is going to make us financially destitute before even a single panel of cladding is removed from our block.

73. Alex Di-Giuseppe, representing Manchester Cladiators, acknowledged potential constraints on the Government’s ability to fund interim fire safety costs, however. He told us that, while “in an ideal world” interim costs would be covered by the Government, his priority was to see the funding directed towards the rapid remediation of fire safety defects within buildings. The Minister noted Mr Di-Giuseppe’s evidence when asked whether the Government would provide funding for interim costs. He told us:

[…] the Government should not provide funding to cover the costs of waking watch or replacement for waking watch. Our view is that the Government funding, such as it is today—that is the £1 billion for non-ACM and the £600 million for ACM—needs to go against remediation, because, as Alex said, it is the speed with which we can remove this unsafe cladding that is the key.

However, when asked whether this meant that there would be no support for residents with interim costs, the Minister said “No, I am not saying that”, noting that “as we stand today”, Government funding should be focused on the removal of cladding, and “currently” there was no funding for interim fire safety costs.

74. Residents are facing bills of thousands of pounds while they wait for their buildings to be made safe. None of these things are the fault of residents and they shouldn’t be the ones made to pay. The Government should include the costs for interim fire safety measures in the Building Safety Fund for the remediation of affected buildings.
Buildings Insurance

75. Insurance premiums for buildings with serious fire safety defects have risen substantially over the last two years. In some cases, buildings are unable to obtain insurance cover at all, putting residents in breach of their mortgage conditions and at risk of repossession. However, as noted by Rituparna Saha of UKCAG, in the majority of cases the problem is that “Buildings insurance is accessible but it is not affordable.” The Birmingham Leaseholder Action Group told us about increases in buildings insurance in their area:

One building had an increase from £36,379 to £194,285—an increase of 434%. Another had a premium of £43,000 and were quoted £530,000 to renew, an increase of 1,133%. These costs are crippling leaseholders before remediation work can even begin.

76. Several witnesses called on the Government to intervene directly to ensure residents are able to access more reasonably-priced insurance for their buildings. Some groups, including representatives of residents at Islington Gates in Birmingham and the Wallace Partnership Group, called on the Government to either underwrite a percentage of the policy excess on insurance premiums or a percentage of any future claim due made following a major fire.

77. A frequently-cited proposal, from both residents groups and freeholders, was for the Government to implement a reinsurance scheme akin to Flood Re—an insurance levy and pool scheme, designed to promote the availability of insurance to those in flood risk areas—to assist residents of buildings with fire safety defects; a Fire Safety Reinsurance scheme, variously referred to as ‘Cladding Re’ or ‘Buildings Re’. Under Flood Re, every insurer that offers home insurance must pay into the scheme, raising £180 million a year to cover flood risks in home insurance policies. We heard that a similar scheme could help to reduce insurance premiums for residents in high-rise residential buildings.

78. However, the Association of British Insurers (ABI) told us they were opposed to the implementation of a ‘Cladding / Buildings Re’ scheme. They explained that a Government-backed reinsurance scheme was a complex and lengthy process, requiring primary legislation. They said it would be expensive to implement, noting that Flood Re cost £20 million to build the necessary infrastructure. They also told us that the number of buildings affected did not represent a systemic market failure relating to buildings insurance and the market is working as it should. The Minister highlighted the insurance industry’s opposition, but told us that the Government was working with them to “come up with practical ways in which we can ensure that we have the availability we need for building insurance”.

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107 As noted by Wallace Partnership Group (CPR0016) and Islington Gates (CPR0004)
108 Q16 (Rituparna Saha, UK Cladding Action Group)
109 Birmingham Leaseholder Action Group (CPR0007)
110 Wallace Partnership Group (CPR0016) and Islington Gates (CPR0004)
111 Q17 (Rituparna Saha, UK Cladding Action Group)
112 How Flood RE works, Floodre.co.uk (accessed: 25 May 2020)
113 Association of British Insurers (CPR0035)
114 Q61 (Lord Greenhalgh, Minister for Building Safety)
79. We are concerned that buildings insurance in some high-rise and high-risk buildings has become unaffordable over the last year. The Government must ensure that residents have access to reasonably-priced buildings insurance in the period until their buildings are remediated. That is what matters; how it is done is a different question.

80. A Fire Safety Reinsurance scheme would be comprehensive and provide long-term security to residents in affected buildings. However, we hope and expect that this will not be a long-term problem. We recognise concerns that a full ‘Re’ scheme would require primary legislation, take time and cost millions to implement, while applying only to a relatively small number of buildings. Our expectation is that a simple solution would be more appropriate. The Government should act as an insurer of last resort for buildings unable to obtain insurance. For other buildings, the Government should underwrite a percentage of the insurance on any affected high-rise and high-risk buildings where premiums have increased by more than 50% in the last two years, to reduce costs for residents.

Zero valuations: selling properties and obtaining mortgages

81. Since the Grenfell Tower fire, lenders have been reluctant to provide mortgages to residents in buildings where there are significant risks of a major fire. When assessing risk, lenders have been guided by the advice issued by the Government. Several written submissions, including from the Royal Institution of Chartered Surveyors (RICS) and the Building Societies Association (BSA), noted the particular influence of the Government’s Advice Note 14—initially issued in 2017 and revised in December 2018, which concerned non-ACM wall covering systems—and a later Advice Note concerning balconies, which have since been consolidated into a single document, Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings, issued in January 2020. The Government’s advice has been interpreted by lenders as requiring an inspection of the external wall system of at-risk buildings, with some valuers returning valuations of £0 on affected flats. This does not mean that these flats are worth nothing, but is instead a means by which to pause mortgage applications and the sale of affected properties until testing is able to be carried out and owners are able to confirm their buildings are safe or undertake necessary remedial works.

82. The effect of the Government’s Advice Notes has been that, particularly since December 2018, thousands of residents in buildings that have not yet been surveyed and found to be safe have struggled to sell their properties or obtain new mortgages. Rituparna Saha told us of “people who have had to put off having a family, having babies, because they cannot move”, as well as difficulties residents have faced obtaining new mortgages: “We are being moved on to higher Standard Variable Rates and this is causing our mortgage payments to increase, on top of the extensive bills that we are already facing”. The Minister acknowledged the “unfairness” residents faced in being forced to pay significantly higher mortgage costs due to their circumstances. Hackney Council told us that the Government should take a stronger lead:

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115 Q58 (Neil O'Connor, Director for Building Safety, MHCLG)
116 Royal Institution of Chartered Surveyors (CPR0034), Building Societies Association (CPR0036) and Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings, Ministry of Housing, Communities and Local Government, January 2020
117 Q11 and Q16 (Rituparna Saha, UK Cladding Action Group)
118 Q58 (Lord Greenhalgh, Minister for Building Safety)
We have also heard that different lenders are taking different positions and responses to the same government advice. As you can imagine this is simply an intolerable situation for any leaseholder to be placed in. This is a national issue and requires clear unambiguous national leadership on regulation and finance.  

83. **While safety must always be the first priority, the Government should have been more aware that its Advice Notes were likely to have serious consequences for residents. Ministers should have issued clearer guidance to mortgage lenders and worked with them to come up with solutions in advance of issuing new advice. As it is, residents are now paying the price: unable to move home, putting off having families and forced to pay substantially higher interest rates on their mortgages. The Government must urgently work with mortgage providers to give residents the right to remain on their existing mortgage deals and not be forced to move onto expensive Standard Variable Rate mortgages. Where residents have already been forced to move onto Standard Variable Rate mortgages, lenders should immediately offer them the right to move to one of their cheaper products.**

**External Wall Fire Review (EWS1) process**

84. The Government’s Advice Notes led mortgage providers to look for a new process to retrospectively inspect an external wall system of a building and determine whether they would be able to lend. A cross-industry group comprising RICS, BSA and UK Finance, supported by the Government, created the External Wall Fire Review (EWS1) process. The group consulted with a range of other market participants, including chartered fire engineers, developers, managing agents and building owners, although we are told that this did not include the Association of British Insurers (ABI) or representatives of residents.  

RICS told us:

> It is important to be clear on the issue the EWS1 was designed to address: to provide a process whereby the external wall system could be assessed in tower blocks and other obviously high-risk buildings in order to support high quality valuation advice and informed lending decisions for consumers wishing to access finance.

Without the EWS1 process, RICS told us access to any funding, regardless of whether a building requires remediation, would not be possible, and the home buying and selling process would not be able to continue.  

85. We heard that, despite being well-intentioned, the EWS1 process has not been working in practice. This was the view expressed to us by the Local Government Association (LGA) and the National Housing Federation (NHF), who told us that the process could even end up delaying remedial works programmes. Rituparna Saha told us of residents “who are completely destroyed as a result of the external wall systems survey”, and noted a survey undertaken by UKCAG which found that 84% of people have said that they cannot move.

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119 Hackney Council (CPR0012)
120 Royal Institution of Chartered Surveyors (CPR0034) and the Association of British Insurers (CPR0035)
121 Royal Institution of Chartered Surveyors (CPR0034)
122 Royal Institution of Chartered Surveyors (CPR0034)
123 Local Government Association (CPR005) and National Housing Federation (CPR0031)
on with their lives because of cladding issues, and 51% of those people said that the reason that they cannot move on is because of EWS forms. Concerns around the EWS1 process can be broadly summarised in three ways.

**Delays due to a lack of qualified, insured surveyors**

86. The EWS1 process requires a Chartered Fire Engineer to undertake a survey of each of the tens of thousands of buildings within scope. However, the Institution of Fire Engineers lists fewer than 100 Chartered Fire Engineers in the UK. The LGA noted that many mortgage lenders were refusing to accept sign-off by a Chartered Surveyor, insisting on a Chartered Fire Engineer. The shortage of qualified fire assessors has been further affected by an inability of many to obtain adequate Professional Indemnity Insurance to undertake their work. The Minister told us that he recognised that this was problem and that the Government was looking “at a number of ideas to enhance the availability of Professional Indemnity Insurance” for fire assessors.

87. The lack of fire assessors has led to considerable delays in buildings being surveyed through the EWS1 process. Estimates vary, but it appears widely accepted that it will take several years for all buildings within scope to be signed off by a Chartered Fire Engineer. The G15, whose housing association members managed more than 600,000 homes across the country, told us that they had only received 17 successfully completed EWS1 forms as of March 2020, which at that rate would take nearly 50 years to complete the assessments on all G15 buildings within scope. In the meantime, as residents wait for their buildings to be assessed, they will continue to be unable to sell their properties or access reasonable mortgage rates.

**High costs passed to residents**

88. We heard that the costs of these surveys, which are often passed on to residents, can be very high. ARMA told us that surveys are now more likely to be intrusive, and perhaps over a large proportion of the building, which is expensive in terms of time and cost. Rituparna Saha reported one example of a block where £1 million had been spent on obtaining an EWS survey, which had ultimately been revealed to have no fire safety defects at all. Of course, where defects are found through the EWS1 process, remedial works will be required, as well as a final survey once these have been completed, creating further delays for residents.

**Mission creep**

89. The EWS1 process was designed for high-rise buildings above 18 metres. However, several organisations, including ARMA and the NHF, warned of a growing sense of ‘mission creep’ in the EWS1 process, with reports that some mortgage lenders—including

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124 Find a UK Fire Engineer, Institution of Fire Engineers, accessed: 28 May 2020
125 Association of Residential Managing Agents (CPR0019)
126 Q59 (Lord Greenhalgh, Minister for Building Safety)
127 G15 (CPR0030)
128 Q16 (Rituparna Saha, UK Cladding Action Group)
Barclays, Lloyds and Halifax—had been asking for EWS1 forms for buildings of any height.\textsuperscript{131} Requiring EWS1 forms for an even larger number of buildings would lead to even further delays and potential stagnation of the housing market for such properties. It was noted by UK Finance, RICS and the BSA, however, that the Government’s consolidated Advice Note issued in January 2020 included a new requirement not seen in preceding advice:

Following recent events, the Expert Panel has significant concerns that consideration is not routinely given to Requirement B4 of Schedule 1 to the Building Regulations (on external walls resisting the spread of fire), particularly in circumstances where the guidance in Approved Document B is less specific. Requirement B4 is clear and requires that “the external walls of the building shall adequately resist the spread of fire over the walls and from one building to another, having regard to the height, use and location of the building.” \textbf{The need to assess and manage the risk of external fire spread applies to buildings of any height.}\textsuperscript{132}

This updated Government advice has been interpreted by mortgage lenders as creating a new requirement that buildings of any height, with a cladding wall system, will now be subject to an inspection regime of the external wall system where this has not previously been a requirement.\textsuperscript{133}

90. The industry-designed External Wall Fire Review (EWS1) was put in place to provide a process that would allow mortgage providers to make informed lending decisions on high-rise residential properties potentially at risk of serious fire safety defects. However, the EWS1 process is not working. There is a lack of qualified, insured Chartered Fire Engineers to undertake these surveys, meaning a very large number of buildings will not be inspected for many years. EWS1 surveys can be very expensive, with costs typically passed to residents through their service charges even where no fire safety defects are found. Government fire safety advice has led to a much larger number of buildings falling into the scope of the EWS1 process than had been envisaged at its inception. It is clear that the process has lacked sufficient input from leaseholder representatives, but also other important stakeholders, including the insurance industry.

91. \textit{We accept the need for surveys to take place on some buildings, but call on the Government to take full control and put in place a much faster and fairer process. Reforms could include a relaxation of the rules on who is able to undertake these surveys, clarification of which buildings should fall within scope and more guidance to ensure the correct prioritisation of buildings. The Government should provide necessary funding to ensure that all affected buildings are surveyed within the next 12 months, so residents are not forced to wait years before they are able to sell their properties or obtain new mortgages.}

\textsuperscript{131} Association of Residential Managing Agents (CPR0019), National Housing Federation (CPR0031) and Q16 (Rituparna Saha, UK Cladding Action Group)
\textsuperscript{132} Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings, Ministry of Housing, Communities and Local Government, January 2020
\textsuperscript{133} UK Finance (CPR0035), Royal Institution of Chartered Surveyors (CPR0034) and Building Societies Association (CPR0036)
A public health crisis

92. We have discussed the financial costs residents have faced, but it is important too to reflect on the physical and mental health impact this has had for many of the estimated 500,000 people living in buildings with potentially serious fire safety defects. Alex Di-Giuseppe, representing Manchester Cladiators, described the fear many residents live with every day:

I package it up into three things. It is the fear of living in an unsafe building. It is the fear of living in the unknown; a fire could happen at any point and it is compressed with these bills that we simply cannot afford as well. It is the feeling that we are trapped; we cannot sell and we cannot move. It is the fear of the unknown and the fact that we are trapped.

Similarly, Rituparna Saha, representing UKCAG, spoke of residents’ feelings of being trapped in their homes and the life-changing impacts this crisis has had on many of their lives:

I would summarise my life as pretty much a living nightmare [...] we basically feel like we are completely trapped. We feel hopeless. We are not in control of our futures. We are constantly anxious, both for the safety of our families living in these dangerous buildings and also the pretty much blank cheque that we are being forced to write to fix defects that were not of our making. There are many of us who are completely in limbo. There are people who have had to put off having a family, having babies, because they cannot move. There are people who have been forced out of retirement back into work to pay for bills for remediation. There is a gentleman who has had to put back a major surgery so that he could spend more time to save to pay his bills.

93. This was a clear theme of our survey of residents too, where many of the 1,350 respondents told us of the emotional distress caused by the ongoing uncertainty in their lives. Several respondents told us they were struggling with their mental health, angry that they are facing potentially unaffordable bills through no fault of their own. Responses included:

- Please help—we are so, so desperate. We’ve done everything right our entire lives and our future is at stake. We are ordinary working people who didn’t come from money. We deserve better than this hell we’ve been given.
- Our flat is currently unsellable. We are so scared it will cost tens of thousands and fear for our future as we don’t know where we will find the money.
- I cannot sell or re-mortgage and I’m living it a building that could set on fire at any point. My mental health is all over the place.
The physical and mental health effects of this crisis were also noted in several of the written submissions we received. Hackney Council told us they had been approached by leaseholders facing considerable stress and anxiety.\textsuperscript{138} The LGA said it was important to acknowledge the psychological challenges faced by many leaseholders who are “living in constant uncertainty and being slowly bankrupted”, while “being trapped in properties they cannot sell”.\textsuperscript{139}

94. Representatives of residents called on the Government to start treating this as a public health crisis. Rituparna Saha told us:

The impact that this is having on people’s mental health is huge. It cannot be underestimated. We are hearing from hundreds and hundreds of people saying, “My mental health has taken a beating. I am suffering depression and anxiety and I have suicidal thoughts.”\textsuperscript{140}

She expressed her view that the Government, NHS and Public Health England had made “no effort” to recognise the mental health toll on people living in dangerous buildings and called for “real support” for people whose mental health had been affected. Ms Saha noted that the Government had prepared leaflets for people living in houses affected by flooding, and called for those in high-rise residential buildings.

95. \textbf{We have heard clear evidence of the physical and mental health toll that this crisis has had on residents. We view this as a public health crisis and the Government must do so as well. The Government must ensure that residents in affected buildings are offered support by the NHS to cope with the physical and mental health toll of living in potentially dangerous buildings. This should include the provision of basic information to every resident offering signposting to services for residents worried about their safety or financial situation.}

\textsuperscript{138} Hackney Council (CPR0012)
\textsuperscript{139} Local Government Association (CPR005)
\textsuperscript{140} Q20 (Rituparna Saha, UK Cladding Action Group)
Conclusions and recommendations

Progress of remediation

1. In addition to those 300 buildings with ACM cladding awaiting remediation, we now know there are likely to be a further 11,300 buildings with other forms of combustible cladding, of which approximately 1,700 are high-risk and likely to require urgent remediation. Three years since the Grenfell Tower fire, to still have 2,000 high-risk residential buildings with dangerous cladding is deeply shocking and completely unacceptable. (Paragraph 13)

2. The £1 billion Building Safety Fund announced by the Chancellor in March is much needed and very welcome. However, it is not “what the Select Committee called for”, as the Chancellor told the House. We called for—and continue to call for—a fund that:
   - Applies to all high-risk buildings—of any height;
   - Covers a range of fire safety defects, including combustible insulation;
   - Covers all costs associated with remediation works. (Paragraph 23)

3. It is clear that £1 billion will not be sufficient to remediate all 1,700 buildings with combustible non-ACM cladding above 18 metres. The Government’s own estimate is that this will cost between £3 billion and £3.5 billion. Our expectation is that the funding will only be sufficient for 600 buildings: one-third of the total. The Government should not allocate funding on a first-come-first-served basis and instead guarantee that additional money will be made available when it inevitably becomes necessary. (Paragraph 24)

4. We are concerned by the number of exclusions that exist in the Funding Prospectus for the Building Safety Fund, which suggest that the Government is trying to find ways to fit a £3 billion liability into a £1 billion funding pot. In particular, it would be entirely wrong for social landlords to be prohibited from accessing the Building Safety Fund. If local authorities and social housing providers are forced to pay for remediation works from their own budgets, this would have a very detrimental impact on the number of affordable homes they are able to build and to the maintenance and refurbishment of existing buildings, while putting an upward pressure on social rents. The Government must ensure that social housing providers have full and equal access to the Building Safety Fund. (Paragraph 25)

5. The Government should urgently clarify if they intend this fund to be a rolling fund whereby funding is provided to make buildings safe whilst attempting to secure return of costs from building owners. If this is the case, then the assumptions made should be published as well as the impact on costs not being recovered. (Paragraph 26)

6. Too many residents are still unaware of whether their buildings are safe. Sometimes this is because their buildings are yet to be surveyed, due to a national shortage of qualified professionals. But often it is because developers, building owners and
managing agents have unreasonably refused to pass information on. Where this is the case, the Government must compel those in positions of responsibility to be honest with their residents about fire safety defects in their buildings. (Paragraph 31)

7. The Government’s own Advice Notes make clear that it is more than just combustible cladding that requires urgent remediation. There is no point fixing the cladding, but leaving a building fundamentally unsafe. We believe that there is no reason to fund the remediation of some fire safety defects but not others. Our view is that funding will need to be increased to address all fire safety defects in every high-rise or high-risk residential building—potentially costing up to £15 billion. (Paragraph 35)

8. We recognise that this would be an expensive commitment and we would much prefer to see that money spent on social care, homelessness services or social housing. But if the Government doesn’t step in and provide this funding, let us be clear; it means tens of thousands of residents sent massive bills for problems that aren’t their fault, which, in many cases, will be a financial burden from which they will never recover and could in some cases lead to potential bankruptcy; it means thousands fewer affordable homes, as councils and housing associations are forced to divert funds to remediation projects; and worst of all, it will mean that some works are never carried out, with people continuing to live in dangerous buildings for years to come. (Paragraph 36)

9. Funding of remediation should reflect where blame lies. It is clear that there have been widespread failures. What is also clear, however, is that residents are in no way to blame and it is our view that they should bear none of the cost of remediation. (Paragraph 43)

10. Given the urgency of these remediation works, it is necessary for the Government to provide the funding up front. However, it cannot be fair for the financial burden of remediating buildings to rest solely with taxpayers. Those who are responsible for this crisis should be made to contribute. For each affected building, the Government should actively seek to recover funds from the construction companies, architects, suppliers of faulty products, approved inspectors and any others who are found to be responsible for fire safety defects. (Paragraph 44)

11. Consideration should also be given to how the remaining burden for funding should be shared. The Government should undertake a review of proportionate taxes on freeholders, developers and others to help fund these remedial works. This should include consideration of a temporary levy linked to the sale of new-build properties, as has been proposed by some industry stakeholders. (Paragraph 45)

12. It is concerning that the Government is again falling back on the argument that responsibility for paying for the remediation of fire safety defects is the responsibility of ‘building owners’. Freeholders do have a legal responsibility to ensure remedial works are undertaken, but they usually do not have a legal duty to pay for them, regardless of how we feel about the morality of the situation. The last three years has shown that building owners simply will not ‘do the right thing’—however often Ministers ask—and leaseholders will continue to receive extremely high bills for things that aren’t their fault. If the Government wants this to change, it has to intervene directly. (Paragraph 52)
13. We believe that there needs to be an urgent national effort to remediate all affected buildings, starting now. The Government should set a realistic target—not merely an ‘ambition’—that all buildings of any height with ACM cladding should be fully remediated of all fire safety defects by December 2021. Buildings with any other fire safety defect, including non-ACM cladding, should be remediated before the fifth anniversary of the Grenfell Tower fire in June 2022. (Paragraph 55)

14. In the same way as it has done for buildings with ACM cladding, the Government should publish a monthly data release on the number of buildings with non-ACM cladding and other serious fire safety defects awaiting remediation. (Paragraph 56)

15. We would support a much more extensive use of Compulsory Purchase Order (CPO) powers, to take direct ownership of the freehold of buildings with serious fire safety defects. The Government should give urgent consideration to the setting up of a new national body whose sole purpose is to purchase the freehold and manage the remediation of buildings with serious fire safety defects. This new body should step in where overburdened local authorities are unable or unwilling to act. The valuation of buildings under CPO should consider the cost of remediation and this should be deducted from any financial consideration paid to the building owner. Consideration of legislative changes should be included in the forthcoming Building Safety Bill. Any residential building where works have not commenced by December 2020 should be subject to a CPO by this new body. (Paragraph 59)

16. Once a building has been fully remediated, the new body should take the opportunity to convert freeholds into commonhold, kick-starting a revolution in how such buildings are owned and managed in future—as we called for in our Leasehold Reform report in April 2019. Leaseholders in such buildings should be consulted and informed of the costs and responsibilities involved. The aim should be to empower existing leaseholders. (Paragraph 60)

17. The Government should undertake a review to determine whether new legislation will be required to ensure those responsible for building safety have a legal right to gain access to leaseholder-owned properties in multi-occupancy residential buildings. The Government should publish its findings within six months and undertake to bring forward whatever legislation may be necessary to remedy the situation. The forthcoming Building Safety Bill should provide the necessary clauses to enable the Secretary of State to implement any requirements by secondary legislation. (Paragraph 62)

18. While we recognise the importance of the combustible cladding ban and the discontinuation of the use of desktop studies, we remain concerned that there is a lack of consensus around the efficacy of the wider testing regime. We reiterate our call for a review of product testing, including the performance of materials in real-life scenarios such as windows, vents or other openings, leading to the implementation of a regime that can command wider industry support and bring reassurance to residents. (Paragraph 65)

The toll on residents

19. We are concerned that, in many cases, 24-hour waking watch fire patrols are inadequate, unduly expensive and have wrongly become the primary means
of mitigating risk for many freeholders. The Government told us it had recently undertaken a review of waking watches and had called for changes to the relevant guidance. In its response to this report, the Government should outline how guidance will be changed to ensure residents have a right to the most effective fire safety measures. (Paragraph 70)

20. We note the Minister’s view that some of the charges to residents for interim fire safety measures are “usurious”. We agree that greater transparency of costs could lead to lower charges for residents, but more could be done to protect residents. Last year, the Competition and Markets Authority (CMA) undertook an investigation into the leasehold sector at this Committee’s request, finding evidence of excessive and disproportionate fees charged to leaseholders. We now call on the CMA to investigate these “usurious” charges for interim fire safety measures, as part of its ongoing work into the leasehold sector. (Paragraph 71)

21. Residents are facing bills of thousands of pounds while they wait for their buildings to be made safe. None of these things are the fault of residents and they shouldn’t be the ones made to pay. The Government should include the costs for interim fire safety measures in the Building Safety Fund for the remediation of affected buildings. (Paragraph 74)

22. We are concerned that buildings insurance in some high-rise and high-risk buildings has become unaffordable over the last year. The Government must ensure that residents have access to reasonably-priced buildings insurance in the period until their buildings are remediated. That is what matters; how it is done is a different question. The Government must ensure that residents have access to reasonably-priced buildings insurance in the period until their buildings are remediated. (Paragraph 79)

23. A Fire Safety Reinsurance scheme would be comprehensive and provide long-term security to residents in affected buildings. However, we hope and expect that this will not be a long-term problem. We recognise concerns that a full ‘Re’ scheme would require primary legislation, take time and cost millions to implement, while applying only to a relatively small number of buildings. Our expectation is that a simple solution would be more appropriate. The Government should act as an insurer of last resort for buildings unable to obtain insurance. For other buildings, the Government should underwrite a percentage of the insurance on any affected high-rise and high-risk buildings where premiums have increased by more than 50% in the last two years, to reduce costs for residents. (Paragraph 80)

24. While safety must always be the first priority, the Government should have been more aware that its Advice Notes were likely to have serious consequences for residents. Ministers should have issued clearer guidance to mortgage lenders and worked with them to come up with solutions in advance of issuing new advice. As it is, residents are now paying the price: unable to move home, putting off having families and forced to pay substantially higher interest rates on their mortgages. The Government must urgently work with mortgage providers to give residents the right to remain on their existing mortgage deals and not be forced to move onto expensive Standard Variable Rate mortgages. Where residents have already been forced to move onto Standard Variable Rate mortgages, lenders should immediately offer them the right to move to one of their cheaper products. (Paragraph 83)
25. The industry-designed External Wall Fire Review (EWS1) was put in place to provide a process that would allow mortgage providers to make informed lending decisions on high-rise residential properties potentially at risk of serious fire safety defects. However, the EWS1 process is not working. There is a lack of qualified, insured Chartered Fire Engineers to undertake these surveys, meaning a very large number of buildings will not be inspected for many years. EWS1 surveys can be very expensive, with costs typically passed to residents through their service charges even where no fire safety defects are found. Government fire safety advice has led to a much larger number of buildings falling into the scope of the EWS1 process than had been envisaged at its inception. It is clear that the process has lacked sufficient input from leaseholder representatives, but also other important stakeholders, including the insurance industry. (Paragraph 90)

26. We accept the need for surveys to take place on some buildings, but call on the Government to take full control and put in place a much faster and fairer process. Reforms could include a relaxation of the rules on who is able to undertake these surveys, clarification of which buildings should fall within scope and more guidance to ensure the correct prioritisation of buildings. The Government should provide necessary funding to ensure that all affected buildings are surveyed within the next 12 months, so residents are not forced to wait years before they are able to sell their properties or obtain new mortgages. (Paragraph 91)

27. We have heard clear evidence of the physical and mental health toll that this crisis has had on residents. We view this as a public health crisis and the Government must do so as well. The Government must ensure that residents in affected buildings are offered support by the NHS to cope with the physical and mental health toll of living in potentially dangerous buildings. This should include the provision of basic information to every resident offering signposting to services for residents worried about their safety or financial situation. (Paragraph 95)
Formal minutes

Tuesday 9 June 2020

Members present:

Mr Clive Betts, in the Chair

Bob Blackman
Ian Byrne
Brendan Clarke-Smith
Ben Everitt

Daniel Kawczynski
Mary Robinson
Mohammad Yasin

Draft Report (Cladding: progress of remediation) proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 95 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Friday 12 June at 10.00am.]
Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee’s website.

Monday 18 May 2020

Rituparna Saha, Co-founder, UK Cladding Action Group; Alex Di-Giuseppe, Co-founder, Manchester Cladiators

Lord Greenhalgh, Minister of State, Ministry of Housing, Communities and Local Government; Neil O’Connor, Director for Building Safety, Ministry of Housing, Communities and Local Government
Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee’s website.

CPR numbers are generated by the evidence processing system and so may not be complete.

1. Anonymous (CPR0002)
2. Anonymous (CPR0003)
3. Anonymous (CPR0008)
4. Anonymous (CPR0014)
5. Anonymous (CPR0018)
6. Anonymous (CPR0028)
7. Association of British Insurers (CPR0035)
8. Association of Residential Managing Agents (CPR0019)
9. Birmingham Leaseholder Action Group (CPR0007)
10. Building Societies Association (CPR0036)
11. Consensus Business Group (CPR0026)
12. FIRSTPORT (CPR0013)
13. G15 group of London’s largest housing associations (CPR0030)
14. Gandhi (CPR0009)
15. Greater Manchester Fire and Rescue Service (CPR0029)
16. Hampson (CPR0020)
18. Institute of Residential Property Management (CPR0037)
19. Islington Gates, Birmingham (CPR0004)
20. Leasehold Knowledge Partnership (CPR0033)
21. Leeds Cladding Scandal (CPR0011)
22. LGA (CPR0005)
23. London Councils (CPR0021)
24. Manchester Cladiators (CPR0024)
25. Mayor of Hackney (CPR0012)
26. Mayor of London (CPR0025)
27. McHugh, Mr Robert (CPR0022)
28. National Fire Chiefs Council (CPR0017)
29. National Housing Federation (CPR0031)
30. Prime Property Management (CPR0006)
31. Rendall and Rittner Ltd (CPR0023)
32. Royal Institution of Chartered Surveyors (CPR0034)
33. UK Cladding Action Group (CPR0010)
34. UK Finance (CPR0032)
35. Wallace Partnership Group Limited (CPR0016)
List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee’s website. The reference number of the Government’s response to each Report is printed in brackets after the HC printing number.

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