



Department for Levelling Up, Housing & Communities

Clive Betts MP
Chair, Levelling Up, Housing and Communities
Committee
House of Commons
Westminster
SW1A 0AA

Rt Hon Michael Gove MP
*Secretary of State for Levelling Up, Housing and
Communities*
Minister for Intergovernmental Relations

**Department for Levelling Up, Housing and
Communities**
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

LETTER FROM THE SECRETARY OF STATE

May 2022

Thank you very much for your letter of 19 April. I am glad that you welcome the wide-ranging agreement secured by my department which will see industry contribute approximately £5 billion to address the building safety crisis. I also want to thank you and the Committee for your proactive engagement and scrutiny on building safety matters which has resulted in a better Building Safety Act which will deliver the largest reforms to building safety in a generation.

In response to the Committee's request for information on some aspects of the announcement, please find my department's answers below.

Further information on building safety remediation will be made available shortly to the Committee in the government's response to the Levelling Up, Housing and Communities Committee report on Building Safety: Remediation and Funding.

1. Will social housing providers be exempt from the building safety levy?

We are considering an exemption from the levy for affordable housing as a whole, which includes Social Rent and Affordable Rent housing, housing for rent or sale at least 20% below market rent or sale rates, shared ownership, and rent to buy. We will need to balance raising revenue from the levy with impacts on affordable housing supply. We are planning a consultation on the levy following Royal Assent to the Building Safety Bill. Possible exemptions to the levy will be considered as part of that consultation and a final decision will be made once it is complete and responses have been analysed.

2. Will social housing providers have the same access to building safety funds as private providers?

Social housing providers already have access to the £400 million Social Sector ACM Cladding Remediation Fund for the removal and replacement of unsafe ACM cladding systems. For the Building Safety Fund for other combustible cladding types, social housing providers are also eligible provided they can demonstrate during the registration process that the costs of remediation are unaffordable or a threat to their financial viability. In addition, social housing providers can submit claims to the Building Safety Fund for the proportion of eligible works which would otherwise be chargeable to residential leaseholders through service charges in their buildings, in line with the Government's commitment to protect leaseholders from costs.

The Government is also launching a new 11-18 metre building cladding remediation scheme to fund work on buildings where a responsible developer cannot be identified to undertake remediation directly. Further details about eligibility, including eligibility of registered providers of social housing, for the 11-18 metre building Remediation Fund will be made available as soon as possible.

3. *If not, please could you outline how the responsibilities of social housing providers and tenants differ from those of leaseholders*

The Building Safety Act guarantees that qualifying leaseholders (those living in their own homes or with up to three UK properties in total, in a building above 11 metres or with at least five storeys) will be protected from the costs of dealing with cladding defects. Social housing providers will not be permitted to pass on any costs to qualifying leaseholders for cladding defects.

The Act will also protect qualifying leaseholders from costs associated with non-cladding defects, including interim measures like waking watches. These protections apply equally to leaseholders of social housing providers. Social housing providers will not be permitted to pass on any non-cladding costs to qualifying leaseholders where they were the developer of the building, including where they were in a joint venture with a private developer. Otherwise, social housing providers will be permitted to recover strictly capped contributions from qualifying leaseholders - £10,000, or £15,000 in London, spread over ten years. Once the caps have been met, social housing providers will not be able to pass on any more costs to qualifying leaseholders.

It is not our expectation that social housing providers will have to fund the remediation of historical building safety defects on all of their buildings over 11 metres or with at least five storeys from their own resources. Many buildings will be remediated by responsible developers pursuant to the recent developers' pledge. Social housing providers can also draw on the various funds described above. And the Building Safety Act brings forward an ambitious toolkit of measures to allow providers to pursue those directly responsible for defects through the courts.

Funding

4. *Is this committed £2 billion to remediate all buildings above 11m?*

Over 35 of the largest developers have now agreed to a pledge to undertake all necessary life-critical fire-safety work on buildings above 11 metres which they had a role in developing or refurbishing over the past thirty years. Alongside this commitment, they have also agreed to refund money paid out by existing government remediation schemes to fix buildings that they originally developed and not to apply for further funding, so that this money can be used for other building safety remediation. We estimate these pledges to date to be worth over £2 billion (covering work on cladding and other necessary remediation work). You can find the developers' pledge letter and the list of developers who have signed the building safety repairs pledge on GOV.UK.

For the remaining buildings where a responsible developer cannot be identified, the Government is launching a new 11-18 metre building cladding remediation scheme. The new scheme will be funded by the Building Safety Levy, which can be charged on new residential buildings that require building control.

5. *Is the £2 billion to cover cladding issues only, or does it also include non-cladding issues?*

Developers' commitment to address life-critical, fire-safety defects on buildings above 11 metres they had a role in developing or refurbishing over the past thirty years covers all such remediation, not just cladding issues.

6. Is the £2 billion to include remediation of social housing blocks?

The estimated £2 billion pledge from major developers will include the remediation of some social housing blocks. These are blocks where developers played a development role, and not merely a contracting role.

If the major homebuilder undertook work on a building above 11 metres under a design and build or other contract, i.e. they were contracted by the social housing provider, they are not liable to remediate that building as part of their pledge. The responsibility will therefore lie with the social housing provider, as the developer of the housing. It will of course be up to the social housing provider to seek recourse against the contractor via any civil law claims at its disposal. As per our answer to question 2, they are also able to draw on the ACM Cladding Remediation Fund and the Building Safety Fund for buildings of 18 metres and above where their financial viability would otherwise be jeopardised. Further details about the eligibility of registered providers of social housing for the 11-18 metre building cladding remediation scheme will be made available as soon as possible.

7. As a result of this announcement, how much does the Government expect developers to reimburse to the Building Safety Fund?

Over 35 of the largest developers have agreed to refund money paid out by existing government remediation schemes to fix buildings that they originally developed and to not apply for further funding, so that this money can be used for other building safety remediation. We estimate this commitment to be worth £1 billion, that is, roughly half of the estimated £2 billion value of the developers' pledges.

8. When the Building Safety Levy was announced last year, it was projected to raise £2bn over 10 years. Is this further £3 billion additional to that £2 billion?

The Residential Property Developers Tax, which was announced in 2021, is a 4% tax on the largest most profitable developers and is expected to raise at least £2 billion over ten years to help pay for building safety remediation.

The Building Safety Levy is not the same thing as the Residential Property Developers Tax, and April 2022 is the first time we announced how much funding it is projected to raise. The Building Safety Levy has been expanded since it was first introduced in the Building Safety Bill to allow it to be charged on all new residential buildings that require building control. The levy will be charged as part of the building control process and will raise the necessary funds to address the remaining cladding issues on 11-18m buildings. We currently estimate a need to raise £3 billion over ten years from the Building Safety Levy.

9. Will the money raised through the Building Safety Levy pay for non-cladding issues as well as cladding issues?

The Building Safety Levy will raise the necessary funds to address cladding issues in 11-18 metre buildings requiring cladding remediation that are not covered by developers' pledges.

The protections in the Building Safety Act will protect qualifying leaseholders from costs associated with historical non-cladding building safety defects, including interim measures such as waking watches.

10. Will the money raised through the Building Safety Levy pay for remediation of social housing blocks?

Further details about the eligibility of registered providers of social housing for the 11-18 metre building cladding remediation scheme will be made available as soon as possible.

11. What is the total amount that the industry and Government will together spend on remediation?

The Government had already committed £5.1 billion to fund remediation of unsafe ACM and unsafe non-ACM cladding in buildings of 18 metres and over.

On 13 April, government announced measures amounting to an estimated further £5 billion from industry to fix life-critical fire safety defects in buildings. Industry have committed to a minimum of £2 billion to fix their buildings: £1 billion from existing commitments and a further £1 billion as a result of the first wave of the industry negotiations. The extension to the Building Safety Levy will fund remediation of unsafe cladding on 11-18m buildings which is not covered by developers' pledges, for which we estimate a need to raise £3 billion. We will monitor the situation and consider adjusting the levy as appropriate.

The polluter pays

12. What steps are being taken to make sectors, other than construction product manufacturers, contribute?

It is right that those responsible for the Building Safety Crisis should contribute towards paying the cost of remediation. As a first step, we have secured pledges from over 35 of the largest housing developers to remediate buildings they have developed over the past 30 years.

We will identify and take steps to make sure that other industry actors follow suit and do more to pay their fair share of remediation costs. The Building Safety Act is introducing new legal avenues for those actors to be pursued. We are also establishing a dedicated Recovery Unit in my department to pursue and expose companies who fail to do the right thing.

I hope that you and the Levelling Up, Housing and Communities Committee find the above information useful.

With every good wish,



RT HON MICHAEL GOVE MP
Secretary of State for Levelling Up, Housing and Communities
and Minister for Intergovernmental Relations