Ministry of Housing, Communities & Local Government

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Meg Hillier
Chair of the Committee of Public Accounts
By email

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Dear Meg,

In our published response to the Public Accounts Committee's 16th Report of Session 2019-2021, 'Progress in remediating dangerous cladding', MHCLG undertook to write to the Committee in December in relation to recommendations 2, 3(b) and 5. In my letter of 30 November, I further undertook to write to you on the Building Safety Fund timeline and external wall fire review process.

Building Safety Fund – Risks of committing all £1bn by end of March 2021

You asked us to write to the Committee outlining our assessment of the risks to public money of committing all £1 billion of the Building Safety Fund by the end of March, and how we would monitor and mitigate these risks (recommendation two).

Prior to implementing the Building Safety Fund, I assessed the risks to public money. I sought a direction ahead of implementation since, as my letter to the Secretary of State set out, the requirements of Managing Public Money are not consistent with this type of intervention. But I continue to agree with Ministers that the benefits of making buildings safe continue to outweigh the public sector costs.

In terms of operating the fund, I am satisfied that the programme is designed to mitigate relevant financial risks. We have built on the systems we designed for our other cladding remediation programmes to ensure that where projects are funded by the taxpayer, we assess the reasonableness of the costs, the need for the work to be carried out, and that there is suitable due diligence on applicants.

We put strong governance and funding agreements in place for each project. These enable the department and our partners to manage the costs of a scheme and assure ourselves that leaseholders are the beneficiaries of the funding. We retain the right to recover funding, including where cost recovery action is concluded in the future. The department also continues to encourage developers, the insurance industry and others to step up and to reduce the call on public money in the first place.

The timelines set out in the prospectus of the Building Safety Fund were intended to incentivise building owners to progress remediation projects at pace. The large number of registrations we received in May and June demonstrated the focus industry had on the announcement. But we recognise that the deadline has been challenging for many building owners who were not as advanced in planning remedial works. Additionally, a large number of registrations have been made without sufficient basic information on the height of buildings or types of cladding present, requiring further investigation to assess eligibility.

On 17 December, the Secretary of State therefore announced an extension of the Building Safety Fund application deadline to 30 June 2021 This will give building owners more time to submit their applications and should help us to ensure that the funds are fully utilised. This will relieve the pressure on many applicants which has been exacerbated by the lack of information provided by many at registration stage, thereby causing an increase in the time to process claims. Applicants have until 30 June to submit a full application and until 30 September to start on site with remediation works.

Extending the deadlines will also ensure that the government meets its commitment to allocate the full Fund. I am satisfied that we can administer the Building Safety Fund in a way that manages risks to public money in a satisfactory way.

Cladding remediation – providing transparency to residents

You asked us to set out the steps we are taking to provide greater transparency for residents through the application and remediation process, and to ensure building owners communicate with residents effectively (recommendation 3(b)).

The prospectuses for both the Building Safety Fund and the ACM fund made clear our requirements for communication between eligible buildings owners, leaseholders and residents. These include informing leaseholders and residents of the nature of the works which will be carried out and providing regular updates on the progress of the funding application and remediation works. We have been clear that we expect Building Safety Fund registrants to keep their residents fully informed of progress.

The department also published the first tranche of Building Safety Fund registration statistics on 30 September 2020 and an update on 17 December. Whilst the department does not intend to publish a building-by-building list of decisions and the rationale for these, they are clearly communicated to the registrant. We have published information for leaseholders on the Building Safety Fund application process to help them understand what is happening during periods where limited updates are available to them.

We have also recognised residents' concerns about the cost and lack of transparency surrounding interim measures, including waking watch. We have collected and published information on these costs.

The Secretary of State has announced that we will go further to reduce the burden on leaseholders. NFCC's guidance has made clear that in some cases alarms may be preferable to waking watch on the grounds of both safety and cost efficiency. On 17 December, the Secretary of State announced a new £30 million fund to incentivise building owners to install fire alarms in high rise buildings over 18 metres with confirmed unsafe cladding systems, that are awaiting remediation and where there is a waking watch service in place. I wrote to you at the time noting that this fund also required a ministerial direction, although I should stress I also support this intervention.

The new building safety regime, which will come into force once the Building Safety Bill gains Royal Assent, will give residents a stronger voice and set out clear obligations on all relevant parties. All residents living in high risk buildings regardless of tenure will receive key safety information about their building, benefit from a residents' engagement strategy and will be able to escalate safety concerns to the new Building Safety Regulator.

Industry capacity for remediation

You asked us, under recommendation 5, to assess the capacity of specialist fire safety skills within the sector, and to set out any impact on delivery of our timetables for removal and replacement of unsafe cladding (along with options to tackle the skills shortage).

From the outset of the Building Safety Programme, the department has engaged industry to ensure sufficient specialist capacity is available to meet demand and to have arrangements in place to address any blockages in the supply chain. This engagement has increased significantly during the second half of 2020, as we work across the industry to prepare for the volume of work and the range of expertise that will be required by the Building Safety Fund.

This starts with building owners where we are providing regular information sessions to support their capability, including on the processes for accessing the Building Safety Fund and advice on contracting and quality management. We then provide direct expert support to individual projects as required. We engage directly with the supply chain to anticipate and mitigate the delivery risks by sharing the high level pipeline of required work with contractors across England, engaging with industry initiatives to increase the availability of specialist installers, and using this engagement to further assess and mitigate the potential risks through the design, contractor, delivery and handover phases of the projects.

External Wall Fire Review Process

In your letter of 4 November, you asked what the department was doing to resolve issues around EWS1 forms. When I wrote on 30 November, I said that as work was ongoing in this area, I would write again by the end of December with a further update.

The department is ensuring that cross-sector work to resolve issues with the External Wall Fire Review continues at pace. On 21 November we announced that we had reached an agreement between the government and industry that buildings without cladding will no longer be subject to the EWS1 process and form. At the same time, we published a supplementary note to the department's consolidated advice note for building owners to ensure building safety. This will support RICS in their work with lenders, valuers, insurers and fire safety bodies to develop further guidance for surveyors, ultimately enabling valuation surveyors to take a more proportionate approach to when an EWS1 assessment is genuinely required.

We continue to encourage lenders to recognise alternative forms of assurance of building safety such as a comprehensive Fire Risk Assessment. This will further reduce the pressure of the EWS1 process.

The £700,000 of funding to train more fire assessors from January, which was also announced by the Secretary of State, will result in an additional 200 assessors becoming qualified to carry out the EWS1 assessment within a month, 900 within three months and 2000 within six months. This training will speed up the valuation process for homeowners in cases where an EWS1 form is genuinely required.

We have continued to work with the insurance sector through representative bodies, brokers and professional bodies to improve professionals' access to Professional Indemnity Insurance products. The Minister for Fire and Building Safety has held a number of roundtables with representatives from the insurance industry, including the British Insurance

Brokers' Association (BIBA), the Association of British Insurers (ABI) and the International Underwriting Association (IUA), to help fire safety professionals obtain the Professional Indemnity Insurance they require to help make buildings safe.

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