

Written evidence submitted by the Local Government Association [CPR 005]

1. About the Local Government Association (LGA)

- 1.1. The Local Government Association (LGA) is the national voice of local government. We are a politically-led, cross party membership organisation, representing councils from England and Wales.
- 1.2. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.

2. Summary

- 2.1. In the almost three years since the Grenfell Tower fire, councils have worked with the Government to identify dangerous ACM cladding on both social and private housing blocks. The LGA has helped support and coordinate this work.
- 2.2. We have also been pressing the Government since 2017 to ban combustible materials in cladding systems, reform building regulations, fund the replacement of ACM cladding in the social sector, address the problems faced by blameless leaseholders in privately owned blocks with ACM cladding, and identify other dangerous cladding systems and fund their remediation.
- 2.3. We welcome the steps that have been taken to date to address these issues. The Government has banned combustible materials, funded the removal of ACM cladding, acknowledged the dangers posed by some forms of non-ACM cladding and provided £1 billion to remediate it.
- 2.4. We do not believe that this funding will be enough to remediate all cladding issues and it does not cover other building safety failures, such as fire doors and other compartmentation issues.
- 2.5. The LGA is also concerned that there is an expectation from Government that councils should fund much of the remediation work themselves. This will be hugely challenging for many councils, who are already facing significant extra costs from the demands created by COVID-19 as well as a substantial loss of income. It also has worrying implications for council investment in housing.
- 2.6. Until remediation is complete, leaseholders face significant challenges including the cost of interim fire safety measures, increases in insurance costs and an inability to sell as lenders refuse new mortgages. Government must do more to support leaseholders.
- 2.7. This is a crisis resulting from twenty years of inadequate building safety regulation. It needs to be addressed as a whole in a cost-effective manner, rather than through the piecemeal identification and remediation of flaw upon flaw in the built environment.

3. Is the Government's new £1 billion remediation fund sufficient to address all remaining concerns in high-rise and high-risk buildings?

- 3.1. We are confident that the £1 billion of funding announced in the budget to remediate non-ACM cladding, on top of £600 million to remediate ACM

cladding, will not come close to covering the costs of remediation. These cladding costs are only a proportion of the total costs of remediating the consequences of twenty years of inadequate building safety regulations, and do not cover other issues such as fire doors and compartmentation issues.

- 3.2. The £1 billion fund would be sufficient to cover 500 buildings at an average cost of £2 million. However, we think there will be more than 500 buildings that need access to the £1 billion and that average costs will be higher than £2 million, for the reasons set out below.
- 3.3. We do not yet know how many residential buildings over 18 meters will be found to have dangerous non-ACM cladding. The survey councils are conducting for MHCLG to establish this figure is not yet complete.
- 3.4. The LGA is, therefore, not able to comment on the likely prevalence of high-pressure laminate (HPL) and timber cladding. However, the insulation manufacturer Rockwool has estimated that there are more than 1,500 buildings with combustible material other than ACM in their cladding system that house high risk individuals who would require assistance in evacuating or that are over 18 meters.ⁱ
- 3.5. Government figures suggest that there are 139 social-sector blocks and 94 private blocks over 18 meters that are expected to have remediation funded by the £600 million provided for ACM cladding remediationⁱⁱ. We do not know what the total cost of that work will be, but in broad terms a comparison of the funding and the number of blocks suggests an anticipated cost of over £2 million per block.
- 3.6. Previous remediation work suggests that an estimate of £2 million per block is at the lower end of cladding remediation costs. For example:
 - 3.6.1. The cost of removing the ACM cladding from five blocks on the Chalcotts estate has been publicly stated to be £16 million.ⁱⁱⁱ
 - 3.6.2. The cost of remediating cladding on 9 tower blocks in Salford was reported to be £25 million.^{iv}
 - 3.6.3. One of the LGA's member authorities has over 20 blocks that may need remediation due to the presence of flammable insulation. Different levels of remediation will be required - in some cases over the entire wall, in others within spandrel panels. The estimated cost of this remediation could be £56-84 million if all blocks need extensive work.
 - 3.6.4. Another council was quoted £6million to re-clad two blocks.
- 3.7. It is important to acknowledge that costs could increase as more buildings require remediation work and there are increases in demand for labour, scaffolding and compliant cladding materials.
- 3.8. The Government fund only applies to cladding, yet there are many more issues that building owners face as a result of the failure of the building safety system.
 - 3.8.1. The Government has so far declined to fund the replacement of non-compliant fire doors. It is estimated that the cost of fixing fire doors is over £700 million.
 - 3.8.2. Inadequate fire stopping appears to be a widespread problem compromising the compartmentation which underpins stay put

policies in many buildings. The speed at which fires have spread in some recent examples is horrifying, for example the Hamptons in Worcester Park, London, the Beechmere care home in Crewe and the Pankhurst Avenue fire in Brighton.

- 3.8.3. It is unclear whether cladding funding will cover combustible materials in balconies, such as the timber balconies that caused the rapid spread of fire at Samuel Garside House in Barking last year.
 - 3.8.4. In addition, we still do not know the full extent of the historic issues with large panel system buildings that were strengthened in the wake of the Ronan Point disaster in 1968, some of which have since been found to have been inadequately strengthened or to have deteriorated significantly as they reach the end of their intended life.
 - 3.8.5. Finally, we are concerned that while the reform of building safety is essential, the Government has underestimated the costs that the Fire Safety Bill and Building Safety Bill will impose on building owners. This will be a challenge in the social sector but may prove impossible in some blocks that are leaseholder-owned.
- 3.9. The concerns above relate to buildings over 18 meters. It is important to emphasise that several of the worst recent fires in residential blocks have taken place in buildings under 18 meters, such as at the Cube student residence in Bolton. There are estimated to be 100,000 buildings between 11 and 18 meters high. We have no doubt that a significant number of them will require substantial expenditure to address the same fire safety issues that we have referred to above. This need is likely to be driven by the insurance and mortgage industries, irrespective of Government action. In addition, we do not yet know how many buildings will be affected by the Expert Panel's advice that the use of the most dangerous ACM cladding should be prohibited at any height.
- 3.10. The National Housing Association has estimated that landlords could face a remediation bill in excess of £10 billion.^v This is supported by the fact that the L&Q Housing Association has set aside £250 million for fire safety works on its existing estate, and the fifteen largest London housing associations have estimated that their building safety bill on existing stock will be £4.3 billion. The LGA anticipates that the final bill to councils will be in a similar region to the National Housing Association's estimate, spread over a ten-year period.
- 3.11. The findings of the Housing, Communities, and Local Government Select Committee's survey on combustible cladding^{vi} do not come as a surprise to the LGA. We have become increasingly aware over the last three years that the consequences of the failure of the building safety system identified by Dame Judith Hackitt go far beyond cladding.
- 3.12. The LGA has previously raised this issue with MHCLG and have pointed to the enormous cost of remediation if all building safety issues are to be dealt with.
- 3.13. We have suggested that a risk-based approach might be preferable under which money is spent on the measures that will be needed to reach acceptable levels of building safety. For example, in some blocks it could be more effective to fund the retrofitting of sprinklers than to attempt to fix all compartmentation faults. However, any judgement on this issue would need to be taken by those with acceptable levels of fire engineering expertise.

- 3.14. It is important to acknowledge the psychological challenges faced by many leaseholders who are living in constant uncertainty and being slowly bankrupted by the costs of waking watches, remediation and increased insurance premiums, while being trapped in properties they cannot sell. There could be tens or perhaps hundreds of thousands of leaseholders affected as the focus of insurers and lenders switches to buildings under 18 meters.
- 3.15. For the last two decades, the building safety system has failed. Responsibility for this lies with both the construction industry and central Government which – under Governments of every political colour - has for too long presided over an inadequate regulatory system.
- 3.16. Residents, leaseholders, freeholders who have purchased buildings in good faith, council tax payers and housing associations should not be left to pick up the pieces. Government needs to fund a recovery programme in the housing sector and the developers who have profited from providing inadequate buildings should be required to pay their share of the bill.

4. What lessons should be learned from the administration of previous funding mechanisms?

- 4.1. The LGA has been calling for Government action to help councils, housing associations and leaseholders in buildings with non- ACM dangerous cladding for over two years.
- 4.2. We have yet to receive details about how the new funding will be allocated, but we understand that it will only be available to those social sector landlords who can evidence that they are unable to meet those costs.
- 4.3. We are not clear what 'unable' means in this context, and clarity on this issue would be very welcome. Are we to understand that unless a landlord is facing bankruptcy, they cannot receive funding for remediation? We assume that this is not the intention as it would mean that councils would be obliged to abandon all housebuilding and all non-statutory activities before calling on the Government fund. It would also leave councils legally obliged to charge leaseholders for remediation work before becoming eligible to draw on the fund. We are seeking urgent clarification from the Government
- 4.4. The issue of borrowing is particularly pertinent for councils at the moment, as council finances have been largely exhausted by the COVID-19 response.
- 4.5. Feedback from councils suggests that previous funding mechanisms have been very bureaucratic, granular and demanded applications in a very limited timeframe, while being clunky and onerous to administer.
- 4.6. A significant issue has been the requirement to attain leaseholder signatures to enable applications to be made for funding. If this requirement cannot be waived, Government should consider allowing sufficient time within the application window to enable building owners to attain signatures.

5. Will the new External Wall Fire Review process for the valuation of high-rise properties be effective in improving access to buildings insurance and mortgage finance for leaseholders?

5.1 The External Wall Fire Review process does not appear to be working in practice. The LGA has heard that it is difficult to access competent resources with relevant Professional Indemnity Insurance. In addition, mortgage lenders are reportedly refusing to accept sign off by a chartered surveyor, and fully qualified fire engineers are in short supply.

5.2 It is also important to acknowledge that the lead in time to obtain fire assessments is significant due to the volume of requests, and the process can take months. Mortgage offers are generally only valid for three months.

5.3 Costs are also escalating for a full four stage certification process. This can cost over £10,000. In many cases this cost will be passed onto leasehold owners via service charges.

6. What additional challenges have been presented by the coronavirus pandemic and how might these be overcome?

6.1. The social distancing measures necessitated by COVID-19 have limited the pace of remediation. We understand that at one point 70 per cent of sites had ceased work.

6.2. Councils have supported the Government's commitment to ensuring building safety work continues during the pandemic where this can be done safely and in line with public health guidance. This has helped to reduce the number of sites closed.

6.3. It is important to note, however, that workers have to be able to reach workplaces safely and this may not always be possible.

6.4. COVID-19 also poses challenges to conducting inspections under the Housing Act 2004. The law requires inspectors to enter individual dwellings which is a challenge in the present circumstances, although we are unable to say what difference this has made to date.

6.5. In addition, consultants have effectively stopped working as travel to building sites to complete audits and/or assessments is currently deemed non-essential work.

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ⁱ <https://www.insidehousing.co.uk/news/news/mhclg-hpl-and-combustible-insulation-should-be-removed-62098>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/879610/Building_Safety_Data_Release_March_2020.pdf

ⁱⁱⁱ <https://www.insidehousing.co.uk/news/news/chalcots-estate-fire-safety-work-to-take-two-years-as-costs-rise-to-90m-59624>

^{iv} <https://www.manchestereveningnews.co.uk/news/greater-manchester-news/cladding-removed-two-salford-high-17296062>

^v <https://www.theguardian.com/society/2020/mar/02/social-landlords-face-10bn-bill-to-fix-fire-safety-problems>

^{vi} <https://committees.parliament.uk/committee/17/housing-communities-and-local-government-committee/news/146327/combustible-cladding-survey-highlights-ongoing-issues-in-residential->

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