

Housing, Communities and Local Government Committee

House of Commons, London SW1A 0AA

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The Rt Hon James Brokenshire MP
Secretary of State for Housing, Communities and Local Government
Ministry of Housing, Communities and Local Government
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20 May 2019

Dear James,

Government funding for the removal of ACM cladding

Thank you for your letter of 13 May 2019 regarding the implementation of a new fund for the remediation of private sector high-rise residential buildings with unsafe ACM cladding systems.

The Government's decision to implement this fund is to be welcomed. As I noted in my letter to the Minister of State for Housing of 24 April, the slow rate of progress in the private residential sector clearly demonstrated that building owners were not addressing this issue with the urgency that was required and the Government needed to act.

The situation for residents had become untenable. Legal disputes over liability meant that, once again, safety had become a secondary concern. Leaseholders, in particular, had been left with the invidious choice of accepting outrageous bills for remedial work for which they should never have been responsible, or continuing to live in potentially dangerous buildings, the memory of the tragic fire at Grenfell Tower still forcefully clear.

It is only regrettable that it took the Government so long to provide such funding. For at least 18 months, Ministers promised they had "ruled nothing out" in terms of what they were willing to do to protect residents in private blocks, but provided no further details or reassurances. Residents were left unsure of their rights, unable to sell their properties or re-mortgage, trapped in unsafe homes while their freeholders did nothing.

This Committee called for funding for private sector buildings in July 2017; it is disappointing that it took the Government almost a full year to act.

The Committee does, however, have several questions regarding the operation of the new fund and we would be grateful for your clarification of the following issues.

Leaseholders who have already paid for remedial work

In my letter of 24 April I asked, of the 20 private residential buildings where remedial work had been started or completed, how many freeholders had charged leaseholders for this work. While we await an answer to this question, it is clear that it would be wrong if leaseholders who had

already paid for remedial work were to be left with large loans to cover bills, while other residents would have work fully funded by the Government:

1. Will the Government reimburse leaseholders who had already paid large bills for remedial work on their buildings?

I also asked the Minister, of the remaining 146 private residential buildings where remedial work has not started, how many freeholders had charged leaseholders for mitigating measures, such as fire wardens. Such charges are yet another example of innocent leaseholders footing the bill for the inadequate administration of their buildings by their freeholders and managing agents:

2. Will the Government require that, where freeholders accept public money for the remediation of their buildings, they must refund the costs to leaseholders of mitigating measures?

Non-ACM cladding

As I have noted in previous correspondence with you and the Minister for Housing, members of the Committee are concerned by industry estimates that there could also be a very high number of buildings affected by potentially dangerous non-ACM cladding. We note that the Government does not yet have a clear understanding of the full scale of the problem of non-ACM cladding or clear timescales by which it will.

If, as anticipated, buildings with some types of non-ACM cladding are found to require remediation, the Government is likely to find itself in exactly the same position as it has been with the freeholders of buildings with ACM cladding. The Committee is keen to ensure that residents in non-ACM buildings are not forced to wait in the same way as those in ACM buildings.

3. Where buildings with non-ACM cladding are found to be unsafe following rigorous fire safety testing, will the Government immediately extend its funding scheme to those buildings?

Operation of the fund

The Government has not published guidance as to how the fund will operate in practice. While your letter confirms that guidance for applying for funding would be published shortly, it is not yet clear how the scheme is to be managed and, in particular, what the roles and responsibilities of local authorities will be. As such, we would be grateful if you could provide a more thorough explanation of how the scheme will operate and clarify the following issues:

- 4. You have said that building owners will be able to register for the fund by early July and there will be a three month window for applications. When do you anticipate remedial work will begin on these buildings and will you set a date by which work must be completed?**
- 5. Will funding be paid directly to freeholders? If so, will this be in advance of the commencement of remedial work or at its conclusion?**
- 6. To whom will freeholders be accountable once funding has been paid: local authorities or the Government?**
- 7. Will local authorities be responsible for monitoring the progress of remedial work in their areas and for signing it off at its conclusion?**
- 8. If local authorities are to have additional responsibilities arising from this scheme, will they receive funding to meet these?**

Reclaiming money from freeholders

The unfortunate consequence of implementing a fund is that those responsible for commissioning and installing the unsafe cladding have, through two years of intransigence, appear to have

avoided any financial responsibility for its remediation. Their failure to act has, in effect, been rewarded.

We note that the Permanent Secretary wrote to you on [8 May 2019](#), explaining that she had "concluded that it is not possible to reconcile a grant scheme with the principles of Managing Public Money" and that "it is important to ensure that sufficient steps are taken to ensure that the scheme does not create a precedent whereby leaseholders – or freeholders – expect the Government to stand behind failures in the construction or maintenance of residential buildings in future."

It is clearly vital that no precedent is set such that those who fail to do the right thing feel they can get away with it, if they just hold out long enough. The Government must, therefore, make every effort to recover this money from freeholders, whilst ensuring that leaseholders are fully protected.

Your recent letter notes that grants will only be provided where building owners agree to make efforts to recover costs from those responsible for erecting the cladding. We would be grateful for greater clarity around this, specifically:

- 9. How will the Government ensure that freeholders make sufficient effort to recover costs for the taxpayer?**
- 10. What penalties would there be for freeholders who fail to recover costs from those responsible for erecting the cladding?**
- 11. Will freeholders be penalised if work is not completed within an agreed timescale?**
- 12. How will the Government ensure that any penalties are not passed on to leaseholders?**
- 13. How will the Government ensure that leaseholders are protected from any ancillary costs arising from remediation works, but not covered by the fund?**

We are also concerned to ensure that local authorities will not be unduly burdened by the administration of any fund. We would therefore be grateful if you could clarify the following:

- 14. Will local authorities be responsible for reclaiming money from freeholders?**
- 15. Will local authorities suffer any financial detriment if they are not able to recover funding from freeholders?**

Sufficiency of the fund

The Government has set aside £200 million to remove and replace unsafe cladding from around 170 privately owned high-rise buildings. £200 million equates to approximately £1.1 million per building. We note, however, that some buildings are anticipated to cost significantly more than this to remediate; for example, remedial work on Northpoint in Bromley is reported to cost in the region of £4 million. Further, there may be very little incentive for freeholders and managing agents to keep costs to a minimum. Please could you therefore confirm:

- 16. How has the Government arrived at the figure of £200 million?**
- 17. Will further money be made available if necessary, particularly if funding will need to be extended to non-ACM buildings?**
- 18. How will the Government ensure that spending by freeholders is monitored for cost-effectiveness, minimising costs to the taxpayer, without undermining residents' safety?**

Finally, we understand that the money for this fund has been found from savings in existing programme budgets at MHCLG.

19. Which MHCLG programme budgets have contributed towards the £200 million fund for cladding?

We would be grateful if you could respond to this letter before Members return to Westminster after the Whitsun recess.

A handwritten signature in black ink, appearing to read 'Clive Betts', written in a cursive style.

Clive Betts MP
Chair, Housing, Communities and Local Government Committee