



**Levelling Up, Housing and Communities Select Committee Inquiry
Building Safety: Remediation and Funding**

G15 response

7 February 2022

About the G15

The G15 is the group of London's largest housing associations. Our members house one in ten Londoners and own or manage more than 650,000 homes across the country. We're independent, charitable organisations and all the money we make is reinvested in building more affordable homes and delivering services for our residents. Each G15 member is different, but we're all striving towards the same goal – to solve the capital's housing crisis and improve the lives of Londoners.

<https://g15.london/>

1. Introduction

The G15 is the group of London's largest housing associations. Our members provide over 650,000 homes across the country and house one in ten Londoners. Last year, G15 members built three-quarters of all affordable homes in London and 15% of all those constructed across the country. Alongside our contribution to building the much-needed new affordable homes the country needs, every year we invest significant resources into the maintenance and improvement of our existing homes, and provide a wide range of additional support services for our residents and communities.

G15 members' number one priority is our residents' safety. In response to the tragic Grenfell Tower fire and the resulting building safety crisis, our members have taken swift action to assess potentially high-risk buildings, to pursue those responsible for any defects found, and to begin works where they are required.

Not-for-profit G15 members have already invested approximately £455m in essential building safety works and associated activity since 2019. Collectively, the G15 are forecasting to spend £3.6bn on building safety works and activity between 2021 and 2036.

The announcements from the Secretary of State on 10 January 2022 were a welcome step in the right direction. The Secretary of State's key principles of protecting leaseholders for significant costs, requiring those responsible for causing the crisis to pay for fixing it, and restoring proportionality to the system are all vital.

However, as the Secretary of State has acknowledged, the announcements are not a complete solution for the building safety crisis. Issues beyond cladding continue to be found with certain buildings, and where they pose a significant risk to safety, they must be addressed. It is estimated that over half of remediation costs facing G15 members are from non-cladding works, which there is currently no government funding to address.

The significant costs of addressing this crisis that housing associations are having to shoulder have already had an impact on our ability to build much needed new affordable homes.

To ensure we can continue to build the homes that are so desperately needed across the country, as well as investing in existing homes and services for our residents, a truly comprehensive solution to this crisis is required. This must ensure that those responsible for causing it meet the costs of resolving it.

2. Response to questions:

- ***What is your assessment of the Government's announcements on 10 January 2022 regarding building safety?***
- ***Do the announcements go far enough, and what, if anything, is missing?***

We welcome the Secretary of State's announcements and the renewed approach the government has taken to addressing the building safety crisis. The principles the government has set out are correct and if implemented will have a beneficial impact for leaseholders and social housing providers.

Protecting leaseholders and ensuring those responsible meet costs

We have consistently called for leaseholders to be protected from the costs of making sure their homes are safe. The confirmation that no leaseholder will be asked to pay for the

removal and replacement of defective or dangerous cladding in buildings over 11 metres is long overdue.

G15 members are diligently pursuing original constructors that are responsible to recover costs and ensure buildings are put right. Where this is not possible, for example, where a constructor is no longer operating or a building is outside of warranty, our members are meeting the costs of works directly.

Not-for-profit G15 members have already invested approximately £455m in essential building safety works and associated activity since 2019. Collectively, the G15 are forecasting to spend £3.6bn on building safety works and activity between 2021 and 2036.

It is important to note that not-for-profit housing associations are only able to apply to the Building Safety Fund to recover certain costs that would otherwise have fallen to leaseholders. This means that all other costs are being funded by housing associations' resources, including the costs for all rented homes, unless the original constructor contributes to the remediation, or if we can recover costs from them.

The government has gone some way to recognise the impact of this crisis on leaseholders financially, and to their wellbeing. However, the announcements around protection from costs for leaseholders only refer to certain works associated with dangerous cladding. Some G15 members have estimated that as much as 55% of remediation costs are for works other than those relating to cladding or the external wally system. None of these costs are covered by the Building Safety Fund or the Secretary of State's announcements.

The government has implied in its announcements and subsequent remarks by Ministers that no costs (or the bulk of any costs) should be recovered from leaseholders. However, the government has not made policy announcements or produced legislation to implement this move. This leaves not-for-profit housing associations in the difficult position of legally being required to recover costs in accordance with our fiduciary duties as charitable organisations, and where the terms of the lease allows. Only as a last resort will our members seek to recover costs from leaseholders in accordance with the terms of the lease. We encourage the government to go further and provide sufficient funding to ensure leaseholders are protected from costs.

Extending the Building Safety Fund to cover all remediation works and allowing social housing providers full access for all tenures of homes, as private home builders have, would both protect leaseholders from significant costs and ensure the supply of new affordable homes is not impacted.

To maximise the investment our members and others are making in building safety works, zero-rating VAT on building safety activity, alongside making spending in recent years VAT-recoverable, is a sensible and proportionate move that will allow more resources to be directed at fixing the problems we are facing. Taking the G15's £3.6bn VAT-inclusive spending plans, removing VAT could potentially make £720m of this resource available to support works and related activity rather than being lost to taxation.

The recognition from the Secretary of State that those responsible for causing the building safety crisis must be the ones that meet the cost of fixing affected buildings is also absolutely right. G15 housing associations are rigorously pursuing developers and contractors to address and fund issues that have been found with certain buildings, and we look forward to working with the Secretary of State to support his efforts in recovering costs from those responsible.

Housing associations are not-for-profit organisations. Unlike private house builders, all the money we make is reinvested back into building new affordable homes, maintaining our existing homes, and providing services to our residents. Any further costs of the building safety crisis that fall to housing associations will reduce the amount of new affordable homes we can build and the investment we can make in existing homes and communities.

G15 members take our responsibilities as freeholders for some buildings extremely seriously and are investing significant resources accordingly. We agree with the government that those constructors and product manufacturers responsible for poor workmanship or failure to meet building regulations should meet the costs of remediation. The vast majority – 90/95% - of housing association homes built outside of Section 106 agreements have been done so through 'design and build' contracts. The legal responsibility for building homes to required specifications lies with constructors under such contracts, not housing associations as the client.

The Secretary of State has confirmed that housing associations are not being treated as responsible parties for the £4bn that it intends to recover from developers and product manufacturers. Furthermore, the Residential Property Developer Tax does not apply to social housing providers, recognising the social purpose of housing associations and how all our resources are used to build new homes and invest in existing homes. We, therefore, would urge the government to be consistent in this approach. Undermining the basis of design and build contracts would massively expand the exposure to costs that not-for-profit housing associations will face.

A proportionate approach to building assessment

The focus in the announcements on restoring proportionality to the system is crucial. Too many people have been unnecessarily caught up in this crisis by a disproportionate approach. We urgently need confirmation of how the government will ensure that lenders, insurers, and bodies such as the Royal Institute of Chartered Surveyors act on this new guidance, as we and residents affected have had too many false dawns already.

The now withdrawn Consolidated Advice Note has led to many buildings and thousands of residents being unnecessarily caught up in the EWS1 crisis. Latest G15 estimates indicate that over 22,000 of our residents are living in buildings that require an EWS1 certificate, but the figure is likely to be far higher. More than 1,000 mortgage transactions are known to be on hold due to the inability to secure an EWS1 certificate. Expert evidence and opinion published in July by government set out the justification for adopting a proportionate approach. However, RICS guidance and the approach of insurers and fire assessors has been so risk adverse that this evidence is not being considered. We will of course always follow the guidance of fire risk assessors and the Fire Service.

A failure to adopt a proportionate approach has in part led to the proliferation of waking watch services and other interim measures. G15 members have been working with the National Fire Chiefs Council (NFCC) over the last year to support the updating of the Simultaneous Evacuation Strategy. We have worked to develop a clear process for the deployment, management and standing down of the Waking Watch. This ensures that a Waking Watch is only introduced where necessary.

The additional resources made available to the Waking Watch Fund are welcome. However, we note that in some cases interim measures were introduced before the fund was launched in December 2020 meaning housing associations have incurred costs, which we are required to recover, and that are not eligible for consideration under the terms of the fund.

Consideration should be given to allowing retrospective applications to the fund to ensure that members who acted swiftly in the interests of residents' safety are not unfairly penalised for doing so by being prevented from accessing funding that is available to landlords who did not act as quickly.

Similarly, costs are only recoverable from the fund if leaseholders have been billed for them. Many G15 members have not billed leaseholders for costs, and therefore are perversely unable to be reimbursed for these costs from the fund. This should be addressed.

Where issues with buildings are identified, it will be crucial to consider what layers of protection already exist in the building, and what other interim measures could be introduced to mitigate risk.

Early insight into PAS 9980 also suggests that this will not drive the proportional approach suggested and that many intrusive surveys to buildings will still be necessary.

3. Response to questions:

- ***What are the potential impacts of the announcements? In the case of negative impacts, how can they be addressed?***
- ***How might the announcements affect the wider objectives of the Department for Levelling Up, Housing and Communities, including the building of affordable housing?***

As we have outlined, we welcome the government's announcements and believe they will ensure some progress in addressing this crisis is made.

We urge the government to recognise that the majority of remediation costs are for non-cladding works and therefore significant exposure to costs remains for leaseholders and housing associations. A broader solution, including funding, is still required to address this challenge.

Further building safety cost burden falling to housing associations will significantly reduce the amount of new affordable homes G15 members will be able to deliver. Unfortunately, many G15 members are already being forced to cut the number of affordable homes we will build due to building safety costs and other challenges, such as rising inflation and the need to make investments to meet net zero carbon.

The investment G15 members are making in tackling building safety issues is equivalent to the housing association investment required to build approximately 72,000 new affordable homes. Some G15 members are already reducing their development pipelines by between 20-40%.

If housing associations were asked to meet additional building safety costs beyond those already forecast, this will have a further impact on the supply of new affordable homes, as well as investment in planned works and improvements to existing homes.

We are deeply concerned about reports that should those constructors and product manufacturers responsible for this crisis not meet the £4bn the government is seeking, the Affordable Homes Programme budget may be used to meet the gap. This would be devastating for the millions of people across the country in dire need of social and affordable housing.

4. Response to questions:

- ***What would you like to see in the funding arrangement to be agreed with industry?***

It is entirely right that those responsible for causing this crisis should meet the cost of putting it right. We welcome the Secretary of State's approach to ensuring costs are met by constructors and product manufacturers.

The funding arrangement that is agreed with industry must be transparent, so that leaseholders and others are able to scrutinise it. The agreement should also include measures that the government can use to recover costs should constructors and product manufacturers not meet the obligations they have committed to.

As the government has made clear, those constructors and product manufacturers that do not accept the agreement should not be considered for future government funded programmes, including subsidies such as the Help to Buy programme.

For more information, please contact:

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