



National Audit Office

Report

by the Comptroller
and Auditor General

Ministry of Housing, Communities & Local Government

Investigation into remediating dangerous cladding on high-rise buildings

What this investigation is about

1 On 14 June 2017 a fire in Grenfell Tower claimed the lives of 72 people. In October 2019 Phase 1 of the Grenfell Tower Inquiry reported on the role played by aluminium composite material (ACM) cladding, fitted onto the exterior of the building. Sir Martin Moore-Bick, the Chairman of the Inquiry, found that the “principal reason why the flames spread so rapidly up, down and around the building” was the presence of combustible ACM cladding, “which acted as a source of fuel”.¹

2 In the wake of the Grenfell Tower disaster, the Ministry of Housing, Communities & Local Government (the Department) established the Building Safety Programme (the Programme) “to ensure that residents of high-rise residential buildings are safe, and feel safe from the risk of fire, now and in the future”.² While remaining clear that it is building owners who are responsible for ensuring the safety of their buildings, the Department has adopted an objective to “oversee and support the remediation³ of high-rise residential buildings that have unsafe aluminium composite material cladding”.⁴ The Programme is designed to implement this objective, as well as to reform building regulations and the construction industry in the light of flaws brought to light in the wake of the Grenfell tragedy (**Figure 1** on pages 6 and 7 and **Figure 2** on page 8).

3 In addressing longer-term reform, the Department, jointly with the Home Office, launched a review of the building safety regulatory system in July 2017, led by Dame Judith Hackitt. The review found that “the current regulatory system for ensuring fire safety in high-rise and complex buildings is not fit for purpose.”⁵ It made 53 recommendations, all accepted by the government; this includes the establishment of a new Building Safety Regulator with stronger enforcement powers.

1 Grenfell Tower Inquiry, *Grenfell Tower Inquiry: Phase 1 Report*, HC 49-I, October 2019, p. 12.

2 The Department defines “high-rise” to mean above 18 metres in height. This aligns with Building Regulations’ threshold for buildings requiring enhanced fire safety given the access height of a fire service vehicle.

3 Here, and throughout this report, “remediation” means the removal of dangerous cladding and its replacement by a safe alternative.

4 The Department has treated as “unsafe” those combinations of combustible ACM cladding and insulation which it understands would be unlikely to meet Building Regulations guidance to “adequately resist the spread of fire”.

5 Dame Judith Hackitt, *Building a Safer Future: Independent Review of Building Regulations and Fire Safety: Final Report* (Hackitt report), Cm 9607, Ministry of Housing, Communities & Local Government, May 2018.

Funding schemes

4 In May 2018 the Department announced £400 million to fund remediation for high-rise residential buildings with unsafe ACM in the social housing sector. In May 2019 it announced that around a further £200 million would be made available for the remediation of equivalent buildings in the private sector. These funds do not cover all buildings that fall within the Programme.

Concerns raised in relation to the Programme

Pace of progress

5 In his Phase 1 Report, Sir Martin Moore-Bick stated it was “essential” that ACM cladding be removed from the exterior of high-rise buildings “as quickly as possible”.⁶ However, concerns have been raised – for example, by the House of Commons Housing, Communities & Local Government Committee – as to the pace of remediation works.⁷ As at 30 April 2020 the Department had identified 456 buildings within scope of the Programme (18 metres and above, with unsafe ACM cladding systems).⁸ By this date 149 buildings had been fully remediated, leaving 307 which had yet to be fully remediated, with work having not yet begun on 167 of these.

Scope of the Programme

6 Concerns have also been raised by residents and stakeholders about risks present in buildings which fall outside the Programme’s main focus on high-rise blocks with ACM cladding.⁹ For example, the Cube, an accommodation block for University of Bolton students which caught fire in November 2019, was not included within the Programme’s monthly count of buildings to be remediated. It was narrowly below the 18-metre threshold and featured a different form of combustible cladding (high pressure laminate, or HPL). In the wake of this fire the Independent Expert Advisory Panel (Expert Panel), set up by the Department following the Grenfell Tower fire, issued updated advice that some cladding systems are unsafe on buildings of any height.

⁶ See footnote 1.

⁷ HC Housing, Communities & Local Government Committee, *Building regulations and fire safety: consultation response and connected issues*, Seventeenth Report of Session 2017–2019, HC 2546, July 2019.

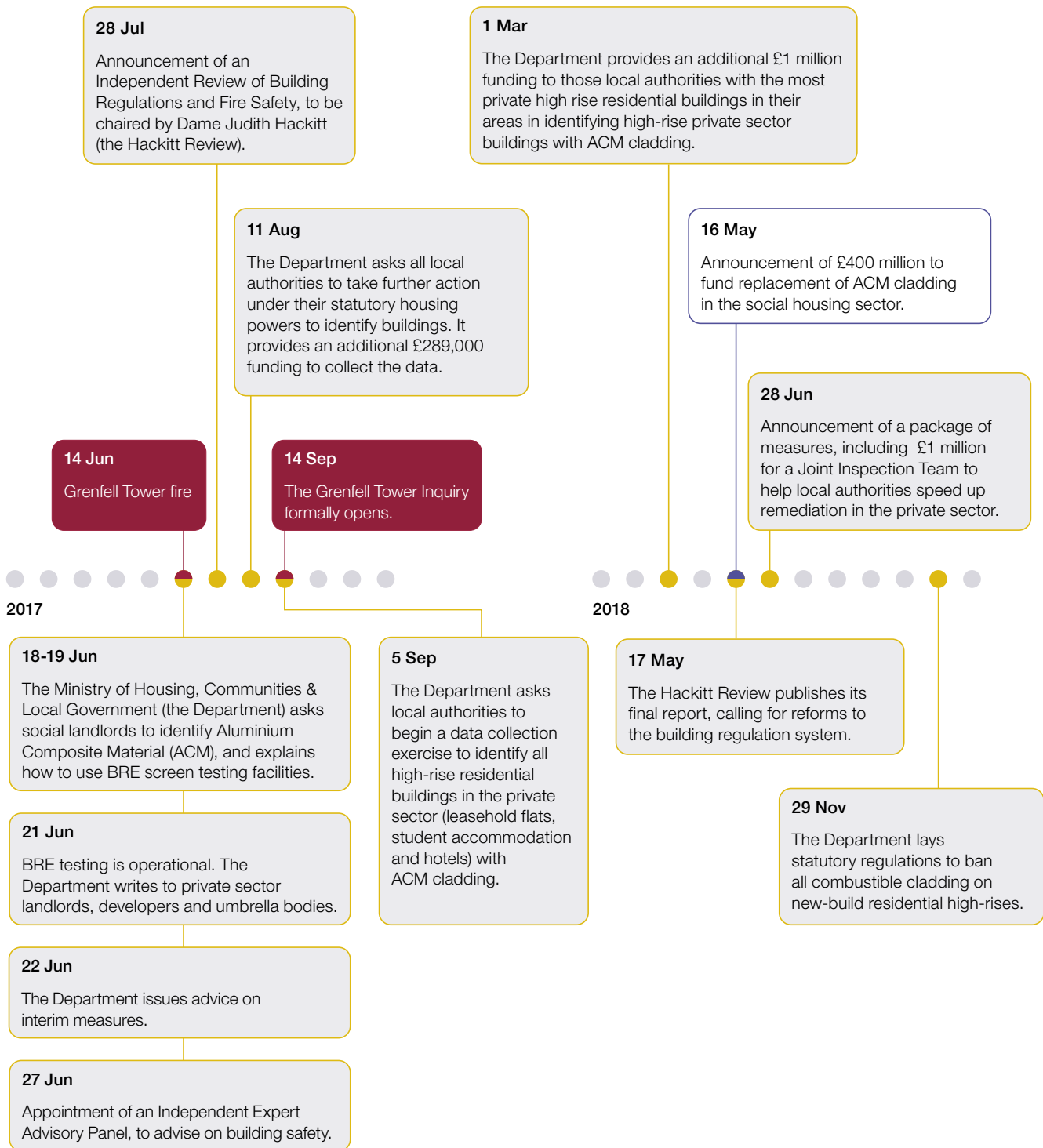
⁸ In all cases the Department’s remediation policies, and numbers of buildings identified as requiring remediation, refer to England only.

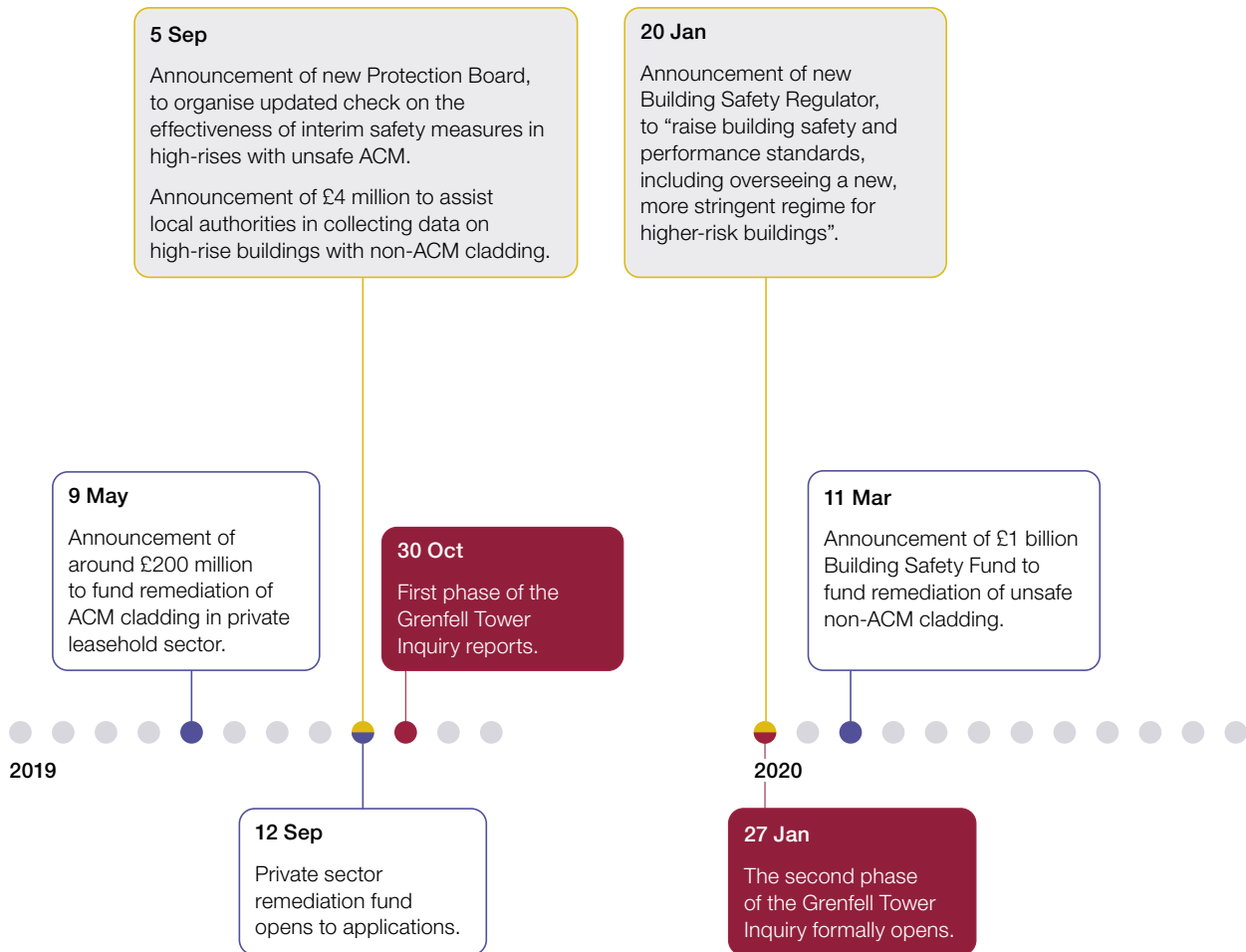
⁹ House of Commons Library, *Leasehold high-rise blocks: who pays for fire safety work*, Briefing paper 8244, February 2020, pp 19–20.

Figure 1

Timeline of key activities in the Building Safety Programme (the Programme), 2017–2020

Following the Grenfell disaster in June 2017, the Ministry of Housing, Communities & Local Government (the Department) established the Building Safety Programme





- Grenfell Tower fire and Inquiry
- Building Safety Programme
- Building Safety Programme: Funding schemes

Notes

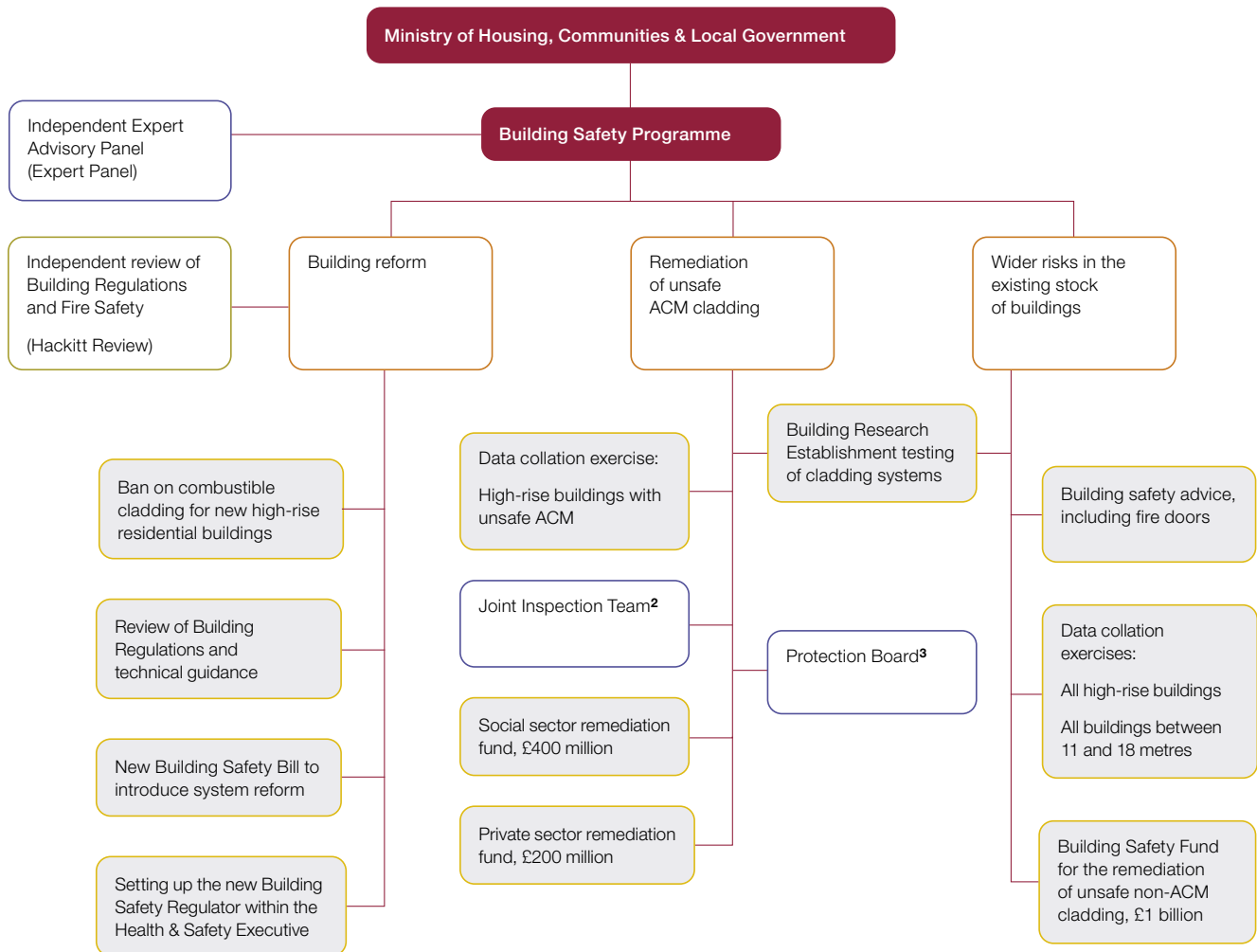
- 1 The Programme encompasses two main strands: Remediation (focusing on the replacement of unsafe ACM cladding on existing high-rise buildings) and Reform (focusing on reforms to building regulations and the construction industry, to ensure that this situation does not arise again). This report focuses on the Remediation strand, but this timeline reflects highlights of the Programme's activities as a whole.
- 2 The Department commissioned the Building Research Establishment (BRE) to test whether individual buildings were clad with unsafe ACM.

Source: National Audit Office selection of Building Safety Programme announcements. Ministry of Housing, Communities & Local Government: Building Safety Programme

Figure 2

The Building Safety Programme’s main work programmes, as at May 2020

The social and private sector funding schemes for the remediation of unsafe aluminium composite material (ACM) cladding sit within a wider Building Safety Programme (the Programme), which aims to reform the building safety system



- Work strands
- Main work programmes
- Independent Review
- Groups to support the delivery objectives of the Programme

Notes

- 1 The chart does not include amendments to the Fire Safety Bill, which sit with the Home Office. Among its measures the Fire Safety Bill, introduced in March 2020, will specify that the Fire Safety Order applies to external cladding. This seeks to give confidence to fire and rescue authorities in using their enforcement powers in relation to the external wall systems of high-rise residential buildings.
- 2 The Joint Inspection Team was set up with and is being delivered by the Local Government Association.
- 3 The Protection Board was established by the Home Office and National Fire Chiefs Council. Both the Ministry of Housing, Communities & Local Government and the Home Office provide funding to support its work.

Source: National Audit Office selection of Building Safety Programme announcements. Ministry of Housing, Communities & Local Government: Building Safety Programme

Funding for remediation

7 The Department itself has raised concerns about the public funding of remediation. In May 2019 the Department’s accounting officer requested a ministerial direction to proceed with a policy where the beneficiaries were private leaseholders. The accounting officer was concerned this policy did not meet value-for-money requirements. The Secretary of State issued a direction to proceed with the policy on the grounds that “the safety implications for residents and the need for pace” were more important than normal value-for-money considerations in this case.

Our investigation

8 Following these concerns, we conducted an investigation into how the Department:

- is assuring itself that it has correctly identified all the buildings which fall within scope of the Programme, and that they are being fully remediated (Part One);
- is managing the pace of progress of remediation (Part One); and
- has decided which buildings qualify for remediation funding, and how it has assessed risks outside the scope (Part Two).

9 This investigation makes reference to the Grenfell Tower fire in relation to the Programme. However, the investigation does not present any data nor findings on the Grenfell Tower fire itself.

Summary

Key findings

Progress of remediation

10 As at April 2020, 149 of the total 456 buildings, 18 metres and over with unsafe aluminium composite material (ACM) cladding, have been fully remediated. There are 154 social sector and 208 private sector residential buildings within scope of the Building Safety Programme (the Programme). The remaining 94 buildings within scope of the Programme comprise hotels (30 buildings), student accommodation (54 buildings) and publicly owned buildings (10 buildings). There are 307 buildings yet to be fully remediated, of which 167 buildings have not yet begun remediation works (paragraphs 1.13 and 1.14, and Figure 4).

11 The pace of remediation has been faster in the student accommodation and social housing sectors, but slower in the private residential sector. At April 2020, 66.7% of student accommodation blocks and 46.8% of social housing buildings had been fully remediated, compared with 13.5% of private sector residential buildings. As at the end of April 2020, the Ministry of Housing, Communities & Local Government (the Department) had paid out £1.42 million (0.7%) from the £200 million private sector fund for works already completed, and approved applications worth a further £24.98 million (12.5% of the total fund). At the same date the Department had paid out £133 million (33.3%) of the £400 million social sector fund. The legal entities responsible for the private sector buildings have been difficult to identify and have required more support throughout the process than initially expected. Administrative checks and controls on funding for private sector applications have also been more exacting; for instance, State Aid declarations are required from each leaseholder in private sector buildings in order to ensure the legality of the grant scheme. As at April 2020, two private sector residential buildings had still not applied for funding (paragraphs 1.15 to 1.20, and 2.14 to 2.17, and Figures 4, 6 and 7).

12 The Department currently estimates that all buildings within scope of its funding schemes will be remediated by mid-2022, with more than 95% completed by the end of 2021. For two-thirds of private sector buildings, the Department is drawing on building owners' forecasts of when their remediation works will be completed, while in one-third of cases (where building owners have not suggested a completion date) it is making assumptions based on completion times for those buildings already remediated. The forecast for full remediation of all buildings by mid-2022 goes beyond the then Secretary of State's expectation set out in July 2019, that "other than in exceptional circumstances, building owners should complete remediation [...] by June 2020". In addition to the difficulties of working with private building owners, the Department told us that remediation work on some sites has been more complex than initially anticipated. Shortages of skills and available contractors have also been observed. The Department has looked to increase the pace of remediation through supporting local authorities in undertaking enforcement action against building owners, engaging with building owners, and providing construction and project management expertise (paragraphs 1.13, 1.21, 1.22 and 1.27 to 1.31, and Figure 8).

13 Early signs are that the effects of COVID-19, and public health measures taken to limit its impact, have slowed down the recent pace of remediating unsafe buildings. As of April 2020, up to 60% of remediation projects had paused after the government announcement on 23 March 2020 of more stringent measures to enforce social distancing. On 27 March 2020 the Department issued a statement that remediation work is critical to public safety and sites should continue work if it can be done so safely. At the time of publication the Department has not assessed what impact this situation will have on its forecast dates for the completed remediation of all buildings within the Programme (paragraph 1.23).

14 More than one-quarter of buildings yet to be remediated are concentrated in four local authorities. London has a particularly high concentration of buildings within scope of the Programme, with three boroughs each containing more than 20 buildings yet to be remediated. As such, these authorities have experienced greater demands on their housing and planning departments; this comes in the context of a prolonged reduction in local authority resources (paragraphs 1.14 and 2.6, and Figure 5).

Scope and assurance

15 The Department had identified the majority of high-rise buildings with unsafe ACM cladding by summer 2018, although more buildings continue to be identified.

At the time of the Grenfell Tower disaster, no national database of high-rise residential buildings existed, regardless of cladding type. By September 2017 the Department had identified 173 high-rise social sector buildings with ACM cladding. The identification of private sector buildings has taken longer. By June 2018 the Department had identified 297 private sector high-rise buildings, including non-residential, with ACM cladding. The Department has continued to rule buildings in and out the scope of its funding schemes as it confirms the eligibility of each building or discovers new ones. Between December 2019 and April 2020 an additional 11 buildings were identified, confirmed and brought within scope of the private sector funding scheme (paragraphs 1.1 to 1.3, 1.7 to 1.9 and 1.12, and Figure 3).

16 The Department is aware of seven build-to-let properties above 18 metres with unsafe ACM cladding which are not eligible for private sector funding.

To be eligible for private sector funding a residential building must be 18 metres or over, have unsafe ACM cladding and contain at least one leaseholder resident. These seven build-to-let properties do not contain a leaseholder and therefore fall outside of the private sector funding scheme; the Department is clear that in these cases the building owner has a legal and financial obligation to pay for remediation themselves. The scheme's eligibility criteria have also ruled out funding the remediation of unsafe cladding which is not ACM. In an initial rough estimate for use in working assumptions, the Department considered there might be around 1,700 buildings above 18 metres with potentially unsafe non-ACM cladding. It has also estimated that applying a 30-centimetre tolerance to its 18-metre threshold would increase the number of buildings with unsafe cladding by approximately 45 (paragraphs 1.26, 2.5 and 2.23).

17 The Department estimates there to be around 85,000 buildings between 11 and 18 metres, but does not yet know how many of these have cladding systems, or what proportion of these might be unsafe ACM cladding.

The Department's Independent Expert Advisory Panel (Expert Panel) has advised that the most dangerous forms of ACM cladding and insulation are unsafe on buildings of any height. It also advises that where buildings have elderly and vulnerable residents this exacerbates the risks presented by unsafe cladding. The Department currently has no data on the number of care homes under 18 metres with such cladding, or other buildings with a high concentration of elderly or vulnerable residents. It will begin a data collection exercise for buildings between 11 and 18 metres in summer 2020. This builds on the first exercise, which looked at buildings 18 metres and over, and will expand the Department's evidence base (paragraphs 2.2 to 2.4, 2.7 and 2.8).

Funding schemes

18 The Department assessed its fund to remediate private sector buildings as not being value for money, but was clear it provided other benefits.

The Department modelled a counterfactual 'do nothing' approach in which, in the absence of funding, private building owners would remediate their buildings themselves by March 2030 as part of general maintenance. Up to 2030, the Department assumed that up to one-half of these buildings would continue to have 'waking watches' (overnight patrols to evacuate residents in case of fire); this was calculated as costing less than the £200 million in public funding for private sector remediation, which therefore did not appear to be value for money. The Department was, however, clear that by accelerating remediation in this sector, the fund would deliver significant non-monetisable benefits, including reduction in fire risks, improvements to residents' mental health and increases in affected property values (paragraph 2.13).

19 The Department has acknowledged that only in a minority of cases would it be financially justifiable for building owners to bring legal action to recover money.

To access the funding schemes, building owners must demonstrate they have made reasonable efforts to recover costs through insurance or warranty claims (or claims against those who may be liable). This is likely to involve owners taking advice on taking legal action against those responsible for installing the unsafe cladding. The Department expects the legal costs of taking action are likely to outweigh the costs for remediation works in a significant number of cases. It has estimated that some claims could also be time-barred for legal action to recover costs and in some cases potential defendants no longer exist or are insolvent. The Department anticipated that enforcing cost recovery from the outset could impact the pace of remediation. As at February 2020, the Department had recouped £0.8 million in the private sector, and a further £6.4 million in the social sector (paragraphs 2.18 and 2.19).

20 As at April 2020, the Department expects to pay for 94 projects (out of 208) in the private sector, where the developer or building owner has not agreed to fund remediation works themselves.

The owners of 84 (out of 208) private sector residential buildings have committed to funding the remediation works themselves, with a further 23 self-funded through accepted warranty claims. Seven buildings have not agreed a funding route as yet. In the social sector, the Department has committed to funding 139 (out of 154) residential buildings. As at February 2020, the Department projected a total cost of £194 million for private sector remediation works for 95 buildings (94 buildings as at April 2020) and £270 million for social sector remediation works for 139 buildings (paragraphs 2.9, 2.12 and 2.17).

21 The Department announced a further £1 billion funding in March 2020 for the remediation of unsafe non-ACM cladding in the social and private residential sectors.

The Department intends to commit the £1 billion in full by the end of March 2021. The new Building Safety Fund will cover high-rise buildings with unsafe non-ACM cladding, such as some types of high-pressure laminate. The data collection exercise that will inform this scope is ongoing. On 26 May 2020 the Department's Permanent Secretary requested a ministerial direction to proceed with funding, as it "does not meet the normal tests for value for money". The Department's fund prospectus was launched on the same day, and the registration for eligible building owners opened in early June. The Building Safety Fund allows for a 30-centimetre tolerance on applications for buildings under 18 metres. The Department plans to reflect this tolerance in the existing ACM funding schemes, where there is currently a threshold of 18 metres for applications. Administration of this new scheme may present significant challenges, given the resource-intensive demands of managing the existing social sector and private sector schemes, which are just over half as big (paragraphs 2.5, 2.21 to 2.23).