

Rt Hon Michael Gove MP
Secretary of State
Department for Levelling Up, Housing and Communities

18 January 2022

Dear Secretary of State

GOVERNMENT APPROACH TO BUILDING SAFETY

I am writing on behalf of HBF's larger home builder members to acknowledge your letter of 10 January and your statement to the House of Commons on building safety, and confirm our eagerness to play our part in resolving this matter for leaseholders. As ever, HBF and its membership are keen to explore an active and constructive dialogue with Government in response to your statements on plans to remediate 11-18 metre buildings identified as having unsafe cladding. We welcome the attention that you and your officials are giving to this subject and hope that, with greater clarity from Government now forthcoming, progress can now be made.

We sympathise with leaseholders and residents who have been affected. We have maintained throughout this process that homeowners should not have to pay for necessary remediation of the buildings in which they live.

Constructive engagement and work to date

Since the first weeks after the tragedy of the Grenfell Tower fire, the industry has, where possible, engaged constructively with government, initially through roundtables initiated by Rt Hon Sajid Javid when he was Secretary of State and later in meetings with Rt Hon James Brokenshire and Rt Hon Robert Jenrick. Throughout this engagement the industry has been clear on its responsibility to work with government to support leaseholders both financially and through clarity in terms of the regulatory framework.

HBF members were among the first companies to voluntarily commit to removing Aluminium Composite Material (ACM) cladding from their high-rise buildings and then, when the ACM fund was initiated, to maintain that direct, voluntary funding. HBF and its members proposed a levy on building control back in early 2018 to raise funds to support remediation where the original developer was absent. Latterly we have supported the introduction of a "cladding tax" – the Residential Property Developer Tax (RPDT) – and the Building Safety Levy. We recognise that industry has a responsibility to be part of the solution as a collective as well as individual companies.

While government has spent several years attempting to refine and develop its guidance many HBF members have been reviewing their historic buildings and, where issues with the original design or construction have been found, have been putting these right. This work has covered buildings above 18m – where risk is highest – but also on buildings between 11m and 18m. We estimate, based on a relatively small sample of the largest builders in our membership, that commitments to date amount to around £1bn. This is very likely an underestimate of the actual commitment as often private companies have opted to conduct works without making the remediation projects public.

While home builders are helping to support remediation through the RPDT, the Building Safety Levy and through their own actions as responsible businesses, to date there



appear to be no similar measures directed at other sectors involved in the design, construction and manufacturing of products for residential construction. I appreciate that because they may be headquartered outside of the UK and conduct most of their business elsewhere, many firms in other sectors that are well enough resourced to contribute to addressing these challenges remain out of the Government's reach. Put simply, this risks penalising UK companies while protecting overseas companies from any financial detriment.

Remediation and the Consolidated Advice Note withdrawal

There is no doubt that the process of remediation on many buildings is happening more slowly than anyone would want. A significant reason for that, as ministers have admitted, is the government guidance which has had vast unintended consequences over the last four years and contributed to confusion around what remediation is necessary. In addition, the number of qualified professionals able to inspect buildings, carry out work and then assess and approve completed work has been a key cause of delay, as has shortages in the supply chains serving the remediation issues.

We welcome government finally withdrawing its Consolidated Advice Note which, in spite of the Government's best intentions, contributed to the paralysis of a large proportion of the housing market and trapped many homeowners in properties which were incorrectly labelled by surveyors and lenders as unsafe.

We hope this is a first step towards a normalisation of practice as well as guidance in this space though we await a formal response from the surveyor and lender communities to this latest development and the effect of the new British Standards Institution (BSI) code of practice. Members remain concerned on behalf of homeowners that the new guidance will not resolve the issues and that EWS1s may still be required unnecessarily.

More generally, the withdrawal of the Consolidated Advice Note should signal the pursuit of a more proportionate approach in this area or, to quote DLUHC's media release, it ought to 'restore common sense'. Appropriate risk mitigation and preservation of life should be the fundamental cornerstones on which a building's safety is assessed. We hope this message will be communicated strongly to surveyors, mortgage lenders and insurers because without commitments from them we are unlikely to move forward productively.

Developer commitments

In response to your three specific demands of the industry:

1. Your letter asks for financial contributions of £4bn to remediate unsafe cladding designed and constructed by developers that remain untraceable. We would welcome sight of the calculations and presumptions that officials have made to produce this estimate and we look forward to discussion on this matter in the context of the points set out above.

As responsible businesses, many of HBF's members are either making right safety issues with buildings they have constructed or investigating claims by other stakeholders with a view to making any necessary remediation. They are also already paying the new taxes and levies brought forward by DLUHC and Treasury which have been extensively consulted on in recent years. The industry believes that a fruitful discussion should involve a broad range of parties, including those who might be well placed to make a contribution, such as product manufacturers and

freeholders but also those who remain vital to finding a way through the long-term malaise, such as mortgage lenders, insurers and surveyors;

2. Your letter encourages developers to 'fund and undertake all necessary remediation of buildings over 11m that [they] have played a role in developing'. HBF members have progressed this work in recent years and will continue with the basic principle that leaseholders should not have to pay for genuine fire-safety defects guiding these efforts. We look forward to discussing with you the role other stakeholders, for example freeholders and managing agents, have in this process and in particular in assessing what remediation is necessary. Through the process of investigating older buildings it has been considered that on some occasions building owners or managing agents have identified items for improvement which do not affect the building's safety. In this respect and given the importance for many thousands of leaseholders in genuinely affected blocks, we would encourage government to engage with other stakeholders to ensure we remain focused on safety issues rather than general betterment or enhancements to older buildings;
3. The third demand is for developers to 'provide comprehensive information on all buildings over 11m which have historic fire-safety defects and which you have played a part in constructing in the last 30 years. Most attention has been paid so far to those buildings completed in the past 20 years. Because of the evolution of product manufacturing and the demands of planning authorities, it is considered that the majority of cladding issues will have arisen on developments since 2000. This time period is considerably simpler to report to Government on, but our members will do all they reasonably can to provide the comprehensive information sought. I expect that few developers will have records stretching back as far as the early 1990s, but all members I have spoken to have confirmed that they will make best efforts to do this.

Spirit of collaboration

Finally, on behalf of members, I would like to stress a desire to pursue a more temperate tone of discussion. While we all understand that criticism of developers plays well in the media and in Parliament, extreme language about the sector as a whole and general anti-business sentiment undermines efforts that many builders and their highly committed colleagues are making to resolving remediation projects. It also threatens future housing delivery and engagement with communities as we seek to build more homes and ease the housing affordability crisis that hampers the life chances of younger families.

Headline, aggregated reports on the financial performance of some home builders and anti-business sentiment attracts attention. However, the companies most cited have invested significantly over the past five to 10 years in the land and labour required to expand housing delivery contributing to housing supply which stands today at 250,000 net additions per year – levels last seen in the postwar housing boom of the 1950s and 1960s. Our members continue to plan for further growth in the coming years. On the other side of the equation, the one-off vehicles and overseas developers responsible for developing many of the buildings in need of remediation maintain no long-term interest in addressing the country's long-term affordability crisis, have no commitment to our communities and have little by way of UK employment or tax commitments.

The UK home building industry is an increasingly highly taxed and regulated sector. It is one of the factors contributing to the ongoing consolidation and reduction in

entrepreneurialism in comparison with previous generations. We already estimate that forthcoming Government regulations, policy, taxes and levies on housing delivery will add billions of pounds of additional annual costs over the next three years. In addition to the obvious Exchequer liabilities, the industry is responsible for unparalleled investment in local communities and infrastructure through cross-subsidised Affordable Housing, Section 106 contributions and Community Infrastructure Levy payments totalling more than £7bn per year. You will be aware that as well as providing the new home so desperately needed, the UK home building industry generates more than £40bn in Gross Value Added and is responsible for the employment of three quarters of a million people via extensive and overwhelmingly domestic supply chains.

I look forward to working with you and your Department over the coming weeks, as well as other partners whose input will be essential. I believe that with this renewed impetus from Government we will be able to make significant progress in demonstrating the work that is already being undertaken; coming to a consensus on what works may be outstanding due to the lack of any remaining responsible developer; and present a way forward that finally provides clarity for the industry but, most importantly, gives comfort to leaseholders.

Yours ever,

A handwritten signature in black ink, appearing to read 'J.A. Baseley', with a stylized flourish at the end.

Stewart Baseley
Executive Chairman