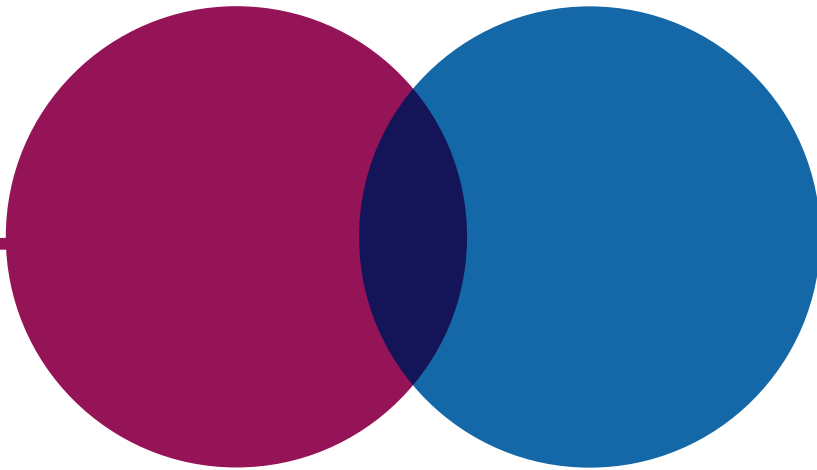




National Audit Office



REPORT

# Dangerous cladding: the government's remediation portfolio

Ministry of Housing, Communities  
& Local Government

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National Audit Office

# Dangerous cladding: the government's remediation portfolio

**Ministry of Housing, Communities  
& Local Government**

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## **Report by the Comptroller and Auditor General**

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National Audit Act 1983 for presentation to the House  
of Commons in accordance with Section 9 of the Act

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**Gareth Davies**  
**Comptroller and Auditor General**  
**National Audit Office**

**25 October 2024**

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## Key facts

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**£16.6bn**

estimated total cost to fix unsafe cladding on all residential buildings over 11 metres in England, representing the Ministry of Housing, Communities & Local Government's (MHCLG's) current best estimate from a range of **£12.6 billion to £22.4 billion**

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**£5.1bn**

total taxpayer contribution committed towards fixing unsafe cladding in England in the long term

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**4,771**

number of buildings taller than 11 metres with unsafe cladding within MHCLG's remediation portfolio as at August 2024, out of an estimated total of 9,000–12,000 buildings requiring remediation

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**14 June 2017** a fire breaks out in Grenfell Tower, resulting in the deaths of 72 people

**1,392** number of buildings for which remediation work was complete as at August 2024, which is equivalent to 12% and 16% of MHCLG's high and low estimates of the total number of buildings over 11 metres that will need remediating, respectively. Remediation work has started on a further 985 buildings

**258,000** estimated number of individual homes in the 4,771 buildings over 11 metres within MHCLG's remediation portfolio as at August 2024

**£2.3 billion** spent by MHCLG on the remediation of buildings with unsafe cladding as at August 2024

**£9.1 billion** share of the £16.6 billion estimated total remediation costs to be provided by MHCLG, with the rest funded by developers, private owners or social housing providers. Represents MHCLG's current best estimate from a range of **£6.5 billion to £13.4 billion**

**2035** date by which MHCLG – based on its modelling – currently estimates remediation to be complete on all buildings in England over 11 metres with unsafe cladding

# Summary

## Introduction

**1** On 14 June 2017, a fire broke out at Grenfell Tower, a 24-storey residential block in London, and resulted in the deaths of 72 people. The subsequent inquiry found that the presence of aluminium composite material (ACM) cladding had played a significant role in the spread of the fire. After the fire, concerns were raised about the risk of major incidents in other multi-occupancy residential buildings, and testing revealed that the use of ACM and other flammable cladding in England was widespread. The Ministry of Housing, Communities & Local Government (MHCLG) is the main government department responsible for building safety and is leading the government's activity to support the remediation of unsafe buildings. MHCLG is clear that building owners are responsible for ensuring the safety of their buildings, which includes fixing fire safety defects.<sup>1</sup>

**2** MHCLG does not fix buildings directly but has introduced programmes to help fund, oversee and monitor cladding remediation by building owners and developers. It also supports enforcement activity to compel owners and developers to remediate. By May 2019, it had announced £600 million to support remediation of high-rise buildings (above 18 metres) with unsafe ACM cladding in both the social and private sectors. MHCLG appointed Homes England and the Greater London Authority as delivery partners to administer these programmes on its behalf. In subsequent years, MHCLG has expanded its interventions to address more fire safety issues in cladding, which has brought more buildings into scope. When we last reported on the topic in June 2020, it had announced a further £1 billion for remediation of high-rise residential buildings with other types of cladding which had since been found to be unsafe.

<sup>1</sup> Throughout this report we make reference to 'building owners', by which, unless stated otherwise, we mean freehold owners and landlords who are legally responsible for the condition and safety of a building and who have rights to recover costs of repair from leaseholders. In some cases, other people or organisations, such as managing agents or leaseholder-owned Right to Manage companies may lead on applying to MHCLG's remediation programmes. As we reported in 2020, buildings may have complex ownership arrangements, for example, involving offshore investors, and many buildings are mixed-use and involve multiple layers of ownership. For example, a single building may have a freeholder, an intermediary leaseholder/head leaseholder represented by a managing agent, a registered provider of social housing responsible for flats designated as affordable housing, plus residential and commercial leaseholders.

**3** By July 2023, MHCLG had launched a programme to support remediation of medium-rise buildings (11–18 metres), increased total taxpayer funding commitments to £5.1 billion, and introduced legislation to ensure that industry paid a fair share. As well as funding to support remediation, it has programmes to oversee progress by developers and social housing providers. In 2023, it brought its five remediation programmes into a single portfolio. Based on modelling, MHCLG currently estimates that works on all affected buildings over 11 metres will be completed by 2035. By August 2024, MHCLG had spent £2.3 billion on the remediation of buildings.

**4** The independent Grenfell Tower Inquiry published its second report on 4 September 2024.<sup>2</sup> The report examines the root causes of the fire, including how the building came to be in a condition that allowed fire to spread quickly despite the regulations in place that were designed to prevent such an event. It concludes that Grenfell Tower was the culmination of decades of failure by central government and other bodies in positions of responsibility in the construction industry to act on the information available to them regarding the dangers of incorporating combustible materials into the external walls of high-rise residential buildings. The government has said it will respond in full to the inquiry's recommendations within six months. Acknowledging that there were still too many buildings with unsafe cladding and that the speed at which they were being addressed was "far, far too slow", the government said it will take necessary steps to speed this up and that it would announce further steps on remediation this autumn.

<sup>2</sup> The Grenfell Tower Inquiry, *Grenfell Tower Inquiry: Phase 2 Report*, September 2024.



## Scope of this report

**5** This report provides an update on progress since our *2020 Investigation into remediating dangerous cladding on high-rise buildings*.<sup>3</sup> It assesses whether MHCLG's remediation portfolio in England is completing timely remediation of unsafe cladding at a reasonable cost to the taxpayer. It examines:

- how well MHCLG has designed its portfolio to maximise the identification and remediation of unsafe buildings;
- whether remediation is progressing as expected; and
- how well MHCLG is managing taxpayers' exposure to remediation costs across the lifetime of the portfolio.

Alongside its remediation portfolio, MHCLG has also taken steps to reform the regulatory regime for building safety. We have not examined this work and any references to the Building Safety Regulator relate to its interaction with remediation activity. Non-cladding fire safety defects are outside the scope of this report. We have not conducted detailed audits of the underlying programmes but have kept our focus on portfolio-level data. As such, we do not conclude on the value for money of the programmes; instead we make observations on, and recommendations for, the portfolio.

<sup>3</sup> Comptroller and Auditor General, *Investigation into remediating dangerous cladding on high-rise buildings*, Session 2019-2021, HC 370, National Audit Office, June 2020.

## Key findings

The government's remediation activity

**6 The government has significantly changed the types of buildings within scope for its programmes, and its approach to remediation, as the scale and impact of the cladding problem has become clearer.** MHCLG initially focused on identifying high-rise buildings with unsafe ACM cladding. From 2018, as concerns mounted about the pace of remediation, fire safety risks in other types of cladding, and the unaffordable bills that residents faced, MHCLG introduced financial support. By March 2021, it had made £5.1 billion available to support remediation of high-rise buildings with ACM and other types of unsafe cladding across the private and social sectors. In 2020, government advice began to stress the importance of assessing the fire safety risk of external wall systems on all buildings, irrespective of height. In 2021, MHCLG announced a long-term loan for leaseholders in affected medium-rise buildings to pay for remediation works, along with measures to make industry pay. In 2022, it decided not to progress with the loan, promised to protect leaseholders in buildings over 11 metres from remediation costs, and adopted a more proportionate approach towards its assessment of building safety. This approach called for greater use of lower cost mitigations such as sprinklers, which it said would be less disruptive for residents. In some cases, where risk is deemed low or 'tolerable', it could mean flammable cladding staying in place. These changes have tried to clarify who will pay but introduced more uncertainty over the number of buildings in scope for government programmes and how much remediation will cost (paragraphs 1.3 to 1.13, 1.16, 1.20, 1.22 and Figure 1).

**7 MHCLG has now established programmes to address dangerous cladding for all the estimated 9,000 to 12,000 buildings over 11 metres that it considers need remediating, but not for buildings below that height.** In 2023, MHCLG brought its five remediation programmes together into a single remediation portfolio comprising:

- **the ACM programme** (MHCLG told us this may soon close to new applications) – grant funding to support remediation of buildings over 18 metres with ACM cladding. Funding included £400 million for social housing sector (2018) and £200 million for the private sector (2019);
- **the Building Safety Fund (BSF)** (now closed for new applications outside London) – grant funding to support remediation of high-rise buildings with non-ACM flammable cladding. £1 billion in March 2020 for tranche 1 and £3.5 billion in February 2021 for tranche 2;
- **the Cladding Safety Scheme (CSS)** (launched July 2023) – grant funding to support remediation of buildings over 11 metres outside London and 11–18 metres inside London. Designed and managed by Homes England;
- **the Developer Remediation Programme** (including the Developer Remediation Contract which government first asked developers to sign in January 2023 and the Responsible Actors Scheme established in July 2023) to oversee self-remediation activity by developers; and
- **the Social Housing Programme** (established in summer 2023) to monitor self-remediation in the social housing sector.

MHCLG expects its portfolio to cover all the 9,000 to 12,000 residential buildings over 11 metres that, as at February 2024, it estimated would need remediating. While, MHCLG's programmes currently focus on buildings taller than 11 metres, it does not know how prevalent dangerous cladding is in low-rise buildings but there is no government funding for the remediation of buildings below 11 metres. MHCLG considers fire safety risk for buildings below 11 metres to be far lower, and lower-cost mitigations such as fire alarms likely to be sufficient to make them safe (paragraphs 1.10, 1.12, 1.14, 1.16 and Figures 2 and 3).

**8 The impacts of dangerous cladding have extended far beyond the immediate victims of the Grenfell fire, with many people suffering significant financial and emotional distress.** As well as living with the fear of fire and costly bills for remediation, some residents in affected buildings have also paid for 'waking watches' to patrol buildings while waiting for cladding to be removed. Costs for waking watches vary widely from building to building, but in 2020 MHCLG reported median costs of £11,361 per building per month, or £137 per home, compared to £104 per home in 2023 (based on buildings that were receiving Waking Watch Relief funding from the government). While the Building Safety Act 2022 now protects most leaseholders from paying for remediation costs, many have experienced increases in insurance premiums (some as high as 500%, passed on through service charges), struggled to access mortgage finance, and been unable to move. MHCLG has taken steps to help make affected buildings mortgageable and insurable. In December 2022, the UK's six largest lenders confirmed that they would lend on properties needing cladding remediation. MHCLG reported in July 2024 that the gap in the proportion of mortgage applications accepted on buildings with and without unsafe cladding had narrowed between December 2023 and April 2024. MHCLG does not hold data on how the affordability of these mortgages compared. In most cases, buildings with dangerous cladding are insurable but premiums remain high. MHCLG acknowledges that its planned interventions are insufficient to bring them down (paragraphs 1.6, 1.14, 2.19 and 2.20).

#### Monitoring progress

**9 There has been a substantial increase in remediation activity since we last reported, but many people do not yet know when their buildings will be made safe.** By April 2020, MHCLG had identified 456 buildings with ACM cladding, of which remediation was complete on 163 (including 14 waiting for building control sign-off), in progress on 126, and yet to start on 167. By August 2024, remediation was complete for 442 out of 503 buildings in the ACM programme (88%). As scope has expanded, more buildings have come into the portfolio. By August 2024, there were 4,771 buildings in the portfolio (equating to around 258,000 homes), of which remediation work was complete on around a third (1,392), had started on 985, but had yet to start on half (2,394). MHCLG has not published delivery milestones, which makes it difficult for the public and Parliament to assess whether portfolio performance is reasonable – and means that many people have no indication of when their building will be made safe. For buildings where remediation works are planned or underway, MHCLG expects those responsible for fixing buildings to keep residents informed about their individual projects in line with its code of practice. However, residents may not always find it satisfactory to be reliant on communications from building owners, given that they or their agents can often be responsible for project delays. In February 2024, MHCLG's modelling indicated a date of 2035 by which all eligible buildings over 11 metres with unsafe cladding would be remediated (paragraphs 2.5, 2.7, 2.11 and 2.14).

**10 It is taking longer than MHCLG expected to identify buildings with dangerous cladding and bring them into the portfolio.** While building owners are responsible for fixing their buildings, engagement with the portfolio is voluntary. We have previously reported that incomplete building records, construction materials that differ from those on plans and difficulties tracing owners can make identifying affected buildings difficult. In August 2024, of the 9,000 to 12,000 buildings that MHCLG estimates will need remediating, 4,771 (39% to 54%) were in a remediation programme. Seven years after Grenfell, 98% of estimated high-rise buildings were in the portfolio. Mandatory registration of high-rise buildings under the Building Safety Act 2022 is helping to identify any that remain. There is no mandatory registration for (more numerous) medium-rise buildings. While they have been in scope for much less time, in July 2024, MHCLG reported that it was behind where it expected to be on bringing medium-rise buildings into the portfolio. It understands that some building owners may be reluctant to engage for fear of uncovering problems that are out-of-scope for government funding, and that others – such as Right to Manage companies – can lack the time and knowledge to navigate the process. MHCLG is developing a strategy for understanding what buildings are not yet in the portfolio, and programme-level escalation strategies to incentivise, encourage and compel different categories of freeholder, social housing provider and developer to engage. However, there is a risk that some may never be identified (paragraphs 1.13, 2.6 to 2.10).

**11 Remediation within the portfolio is progressing more slowly than MHCLG expected in its first year of operation.** MHCLG monitors portfolio performance by comparing actual progress against the progress it would need to make to meet its central estimate on the total number of buildings to be remediated. As at March 2024, performance was below its central estimates for both high- and medium-rise buildings. Overall, works had started on 355 (16%) fewer buildings than expected. Works were on site for 1,380 high-rise buildings against expected starts on site to meet the central estimate of 1,463 (94%), and 492 medium-rise buildings against expected starts to meet the central estimate of 764 (64%). In February 2024, MHCLG reported that it may have overestimated the number of medium-rise buildings requiring remediation. At the time of writing, MHCLG was planning to update its estimate in the autumn (paragraphs 1.23, 2.12 and Figure 6).

**12 MHCLG and Homes England have learned and applied lessons in efforts to improve programme performance.** MHCLG commissioned several reviews to learn lessons from the experience of its high-rise programmes. MHCLG appointed Homes England to develop the CSS for medium-rise buildings, which built on these lessons to streamline and automate processes. While programmes are not directly comparable and CSS is still at an early stage, there are initial indications that it is faster and much cheaper to run than the BSF. MHCLG has now transferred some buildings already in the BSF to the CSS in efforts to speed up remediation for these high-rise buildings and improve value for money. MHCLG has also taken steps to improve performance in its ongoing high-rise programmes. For example, it has increased spending on technical support in the BSF to address a lack of applicant expertise and it has increased engagement and enforcement activity to push reluctant owners to progress (paragraphs 2.10 and 2.22 to 2.24).

**13 Remediation of buildings over 11 metres is not currently on course to complete by 2035 and there are significant challenges to overcome.** To meet the expectation, based on its latest modelling, that remediation works on all buildings over 11 metres with unsafe cladding will be completed by 2035, MHCLG must ensure lost ground is regained and completion rates increased in future years. As steward of the built environment, MHCLG is accountable to parliament for how it uses public money to ensure that buildings are safe. It says it is not responsible for identifying which buildings have unsafe cladding or for making building owners complete remediation works. However, to get the portfolio back on course, MHCLG acknowledges that it must find ways to bring buildings into the portfolio faster and increase pace. It is working with Homes England to identify unsafe buildings and prompt building owners to remediate, and acknowledges it must help to resolve disputes and avoid protracted discussions between developers and freeholders over what constitutes 'proportionate' remediation works or 'tolerable' risk. MHCLG is also seeking to minimise the impact of delays to building control approvals for remediation works from the new Building Safety Regulator while industry adjusts to the new regime for higher-risk buildings. Already strained finances among social housing providers, and a high threshold for government support limiting their access to funding for remediation, also pose risks to pace in the social housing sector (paragraphs 1.17, 2.6, 2.9, 2.16 and 2.17).

## Protecting the taxpayer

**14 MHCLG chose approaches to funding that prioritised speed but increased the risks of poor value for money and fraud.** MHCLG recognised early that providing taxpayer support for private sector remediation would not meet normal government value for money expectations, seeking and obtaining ministerial directions to proceed with both its private sector ACM fund and the BSF. MHCLG also recognised that providing grants to private building owners was riskier than its initial funding for social-sector providers. It put protections in place on its ACM fund, including enhanced scrutiny of applications and payment in arrears of cost. However, in its subsequent attempts to increase pace of remediation on the BSF, MHCLG amended some of its earlier protections, including introducing advance payments to applicants. These changes exposed the taxpayer to an increased risk of poor value for money and potential losses through fraud, with advance funding in particular increasing the opportunity for recipients to misuse funds (paragraphs 3.2 to 3.7).

**15 After a slow start, MHCLG is now increasing its counter-fraud activity.** The Infrastructure and Projects Authority reviewed the BSF programme in 2020 and recommended that MHCLG undertake a fraud risk assessment. The Cabinet Office Complex Grants Advice Panel reviewed a risk assessment in 2021 and recommended a more robust and independently assured process. MHCLG commissioned a full fraud risk assessment in 2023. It assures us that it undertook some counter-fraud activity in the interim but could not provide documented evidence of work undertaken. It has since identified potential losses of over £500,000 through fraud in 2023-24. In 2024, MHCLG reviewed its counter-fraud structures and developed plans to improve fraud management on the BSF. An external review highlighted that there has not been a fraud measurement exercise on the programme and that levels of fraud detected are significantly lower than would be expected given its size and risk. Homes England commissioned its first full fraud risk assessment from the Public Sector Fraud Authority six months into its operation of the CSS, and believes its controls are sufficient to manage the risks identified (paragraphs 3.7 to 3.10).

**16 The government plans to cap taxpayer contributions towards cladding remediation at £5.1 billion over the lifetime of its remediation programmes; MHCLG will need to manage risks to deliver this.** In 2022 MHCLG set out its intention to protect the taxpayer through capping its contribution to remediation and making other stakeholders contribute more. Its current best estimate of total remediation costs are £16.6 billion (ranging from £12.6 billion to £22.4 billion). MHCLG will provide funding for qualifying buildings at a current forecast cost of £9.1 billion (ranging from £6.5 billion to £13.4 billion), with the remainder funded by developers, private owners or social housing providers. To remain within its £5.1 billion cap in the long run, MHCLG intends to recoup £700 million from developers refunding costs for remediating buildings for which they have now accepted responsibility, and the balance (currently forecast at £3.4 billion) through the new Building Safety Levy. The Levy will be paid by developers on new developments, though MHCLG is yet to confirm payment mechanisms. It does not expect collection to start until autumn 2025 at the earliest. MHCLG and HM Treasury have agreed arrangements to provide funding in the short term to allow remediation to progress, with the Levy recouping these amounts in later years to ensure the £5.1 billion cap is not exceeded overall. To complete remediation within the cap, MHCLG will need to work around a lack of certainty over income generated by the Levy (and will potentially need to extend it beyond the 10 years initially anticipated to recoup the funds required), and the ability of social housing owners to fund remediation of their properties at a pace acceptable to residents (paragraphs 3.11 to 3.13, Figure 10 and Figure 11).

**17 MHCLG will need to manage risks and trade-offs beyond the immediate scope of its remediation portfolio.** The government has many targets for housing, such as building new and affordable homes and decarbonising the sector. MHCLG acknowledges there may be cross-over between its remediation programmes and wider government priorities but that it could do more to seek efficiencies and ensure that policies are not working at cross-purposes. For example, as MHCLG and other bodies investigate buildings at risk, they are gathering data about buildings on a national scale. These data may have uses for future government priorities, for example to support government's net zero ambitions. MHCLG told us it was working with colleagues across government on supporting decarbonisation activity and that its approach to joining up remediation work with other government priorities included its impact assessment process. We did not see evidence that these activities were having the desired impact (paragraphs 2.2 and 3.12 to 3.14).



## Conclusion

**18** As MHCLG's ACM programme draws to a close, remediation works on most tower blocks over 18 metres with the most dangerous form of cladding are now complete or nearing completion. However, the scale of the cladding crisis has proved much bigger than the government initially understood, and its interventions have expanded as a result. For the many thousands of residents who have been living in fear of fire, facing costly remediation bills, struggling to access mortgage finance or affordable insurance, or unable to move, leaseholder protections and the promise of a way forward for all buildings over 11 metres are welcome. The principle of 'polluter pays,' where the costs of remediation works are met by those responsible, was established to relieve pressure on the public purse, improve public value and protect leaseholders from paying to fix a problem that is not of their making. However, there is a long way to go before all affected buildings are made safe, and there are risks MHCLG must address if its approach is to succeed.

**19** Of the 9,000 to 12,000 buildings over 11 metres that MHCLG estimates will need remediating, 4,771 buildings have been identified and included in its portfolio, leaving up to 60% of affected buildings still to be identified. Of those identified, remediation work has yet to start on half and has completed on around a third. Of all the buildings that may be in scope, work has completed on only 12–16%. The pace of remediation works is behind where MHCLG expected it to be. Putting the onus on developers to pay and introducing a more proportionate approach to remediation should help to protect taxpayers' money. However, this approach also created grounds for lengthy disputes between developers and freeholders over the scope of works required and these disputes are causing delays. To stick to its £5.1 billion cap in the long run, MHCLG needs to ensure that it can recoup any funds it spends above this through successful implementation of the proposed Building Safety Levy. MHCLG has been slow to address fraud risks and must ensure its incentivisation and enforcement activities encourage reluctant freeholders to engage and ensure the industry is not stalling. Seven years on from the Grenfell Tower fire, there has been progress, but there also remains considerable uncertainty about the number of buildings needing remediation, the cost of remediating them, and how long it will take to fix them and to recoup spending in the long run.

## Recommendations

- a** MHCLG should consider whether there is additional information and data that it could publish about the portfolio that would:
- give residents in buildings not yet in a programme, or not yet being remediated privately, an indication of how long they might need to wait until their building is made safe. For example, MHCLG should publish a target date by which it expects all affected buildings to be remediated based on its understanding of the number of buildings to be remediated and the speed at which it expects building owners and developers to complete works. It should continue to review whether the date remains achievable as the portfolio progresses; and
  - enhance the level of transparency for Parliament and the public over portfolio performance – and therefore whether it is achieving value for taxpayers' money or whether it needs to change approach. For example, it could publish data on the proportion of total buildings to be remediated (according to its latest estimates) for which remediation has started or completed, and a measure of whether the portfolio is on track to achieve a published target date.
- b** MHCLG should evaluate its code of practice for the remediation of residential buildings to ensure that it is helping residents of buildings where remediation works are planned or underway to understand whether progress in their buildings is reasonable. This is important to enable residents to use the code as a basis to query progress on their buildings and understand whether they need to take action to escalate. If the code is not delivering as intended, or not helping to reduce delays, MHCLG should work with residents to consider what more it can do to help.
- c** If the number of buildings within the individual programmes and progress with remediation have not picked up by the end of the year, MHCLG and Homes England should consider other actions to incentivise responsible entities to apply to its programmes, and increase pace of remediation. For example, it could consider mandatory registration for buildings 11–18 metres (as it has for high-rise buildings over 18 metres), tougher enforcement activity and action to help resolve or avoid protracted disputes between stakeholders over the scope of works.
- d** MHCLG should assess the feasibility of conducting a measurement exercise to estimate the extent of undetected fraud and error across its remediation portfolio. A measurement exercise would help it to understand the scale of the problem and whether further investigations are needed, while also supporting wider learning around controls.

- e** MHCLG should share any relevant learning with the Public Sector Fraud Authority and the Cabinet Office Complex Grants Advice Panel. It should also report the results of such an exercise in its annual report and explain how it is using them to target improvements to the design of programme controls.
- f** MHCLG should continue to work with other teams and other government departments to enhance its understanding of how its cladding remediation activity might impact or support other government priorities; for example:

  - MHCLG should capture how its work with other teams and other government departments has secured efficiencies and helped to ensure policies are not working at cross-purposes with other government priorities; and
  - to maximise value for money from their investment in systems, MHCLG and Homes England should explore opportunities to use data collected on buildings for other purposes (in line with data protection rules) – for example, to provide information to residents or to support cross-government objectives such as on net zero.

# Part One

## Government's response to the cladding crisis

**1.1** This part of the report sets out the background to the cladding crisis, the Ministry of Housing, Communities & Local Government's (MHCLG's)<sup>4</sup> response, and how it is managing remediation activity.

### **The Grenfell Tower fire and background to unsafe cladding**

**1.2** On 14 June 2017, a fire at Grenfell Tower, a 24-storey residential block in London, resulted in the deaths of 72 people. The subsequent inquiry report concluded that the principal reason for the fire's severity was the aluminium composite material (ACM) panels that encased the building and had "acted as a source of fuel."<sup>5</sup> The report said that it was essential that ACM cladding be removed from the exterior of high-risk buildings as quickly as possible.

**1.3** After the fire, concerns were raised about the risk of major fires in other tower blocks as testing revealed widespread use of flammable cladding in England. Although initially focused on ACM, residents and other stakeholders became concerned about other types of flammable cladding systems and fire safety defects. Cladding systems were common on new buildings but were also used extensively to improve the appearance and efficiency of existing residential tower blocks.

**1.4** Remediating unsafe cladding is complex and costly and there has been much debate over how quickly it can be done and who should pay. MHCLG estimates that the total cost for all necessary remediation work could be between £12.6 billion and £22.4 billion, with a current best estimate of £16.6 billion. In 2021, the Housing, Communities and Local Government Committee referenced evidence that put average costs for cladding remediation at around £25,000 per flat in blocks above 18 metres in height and around £40,000 per flat in blocks below 18 metres.

<sup>4</sup> From September 2021 to July 2024 the department was named the Department for Levelling Up, Housing & Communities and before that it had the same name as it does currently: the Ministry of Housing, Communities & Local Government (MHCLG). Throughout this report we refer to the department by its current name, even where activities were carried out under a previous name.

<sup>5</sup> Grenfell Tower Inquiry, *Grenfell Tower Inquiry: Phase 1 Report*, HC 49-I, October 2019, p12.

**1.5** The government initially expected building owners to pay to remediate their own buildings, but many failed to do so and those that did often passed costs onto leaseholders and tenants. Without government funding, many leaseholders faced remediation costs that they would be unable to afford. In late 2017 and early 2018, MPs repeatedly called on the government to provide financial support to fund remediation. They also raised concerns about the burden on social landlords of paying for remedial fire safety work.

**1.6** As well as living with the fear of fire and costly bills for remediation, those in affected buildings began to face significant wider emotional and financial consequences.

- Responding to government advice,<sup>6</sup> some residents paid for 'waking watches' to patrol buildings while waiting for cladding to be removed. Costs varied, but MHCLG published data in 2020 showing monthly median waking watch costs were £11,361 per building and £137 per home. In April 2023 its data showed monthly median costs of £104 per home for buildings receiving Waking Watch Relief funding, or mean costs of £169 per month per home.<sup>7</sup>
- Leaseholders have also experienced significantly higher insurance premiums (passed on through service charges), struggled to access mortgage finance and found themselves unable to sell their flats. A 2022 Financial Conduct Authority report found that insurance premiums increased by 125% for multiple-occupancy residential buildings between 2016 and 2021, driven primarily by the risks associated with flammable cladding or other material fire safety risks.<sup>8</sup> The report also found that average insurance premiums increased by 187% over the same period for buildings known to have flammable cladding. Some press articles reported much higher increases, with averages of 500% in a single year (between 2019 and 2020).
- The campaign group End Our Cladding Scandal (EOCS) reports that up to three million people are caught up in the cladding crisis. There are numerous press reports of residents in affected buildings suffering with stress, anxiety and mental ill-health. A 2020 survey from the UK Cladding Action Group found that 90% of respondents had experienced deteriorating mental health as a direct result of the situation in their building, with almost a quarter reporting thoughts of suicide and self-harm.

<sup>6</sup> Letter to local authorities 22 June 2017 *Safety checks following Grenfell Tower fire*.

<sup>7</sup> In 2023 MHCLG reported that it had published both the mean and median because costs vary widely and there were some high outliers which could skew the mean but had little impact on the median.

<sup>8</sup> Financial Conduct Authority, *Report on insurance for multi-occupancy buildings*, September 2022.

## The government's response

### The Building Safety Programme

**1.7** In the immediate aftermath of the fire, MHCLG launched the Building Safety Programme “to make sure that residents of high-rise buildings are safe – and people feel safe – now, and in the future.” It initially focused on identifying and supporting the remediation of unsafe high-rise buildings (over 18 metres) with ACM cladding, like that used on Grenfell. By September 2017 it had identified 173 social sector buildings. It took longer to identify private sector buildings, but by June 2018, it had identified 297, including non-residential.

**1.8** The programme also covered longer-term building safety reform, starting with an independent review of building regulations and fire safety announced in July 2017.<sup>9</sup> This review concluded that the whole system needed major reform, giving greater priority to residents' safety in the design, construction and occupation of higher-rise residential buildings. In response, the government published the Building Safety Bill (July 2020), which introduced a new Building Safety Regulator, reforms to building control and building regulations, and a new regime for managing high-risk buildings while occupied. The Building Safety Act was granted Royal Assent on 28 April 2022.

### Government funding for remediation

**1.9** During 2019, concerns were raised – for example, by the House of Commons Housing, Communities and Local Government Committee – about the pace of remediation and the risk of fire in buildings outside the Building Safety Programme's focus. In January 2020, MHCLG produced advice to building owners,<sup>10</sup> referencing advice from the Independent Expert Advisory Panel on building safety (IEAP). It warned that non-fire-retardant high-pressure laminate (HPL) panels presented a notable fire hazard on high-rise residential buildings. Although the IEAP regarded the level of risk from HPL systems as lower than that from unsafe ACM, the advice said HPL panels should be remediated immediately. The IEAP's advice also stressed the importance of understanding the safety of external wall systems irrespective of building height.

<sup>9</sup> 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.

<sup>10</sup> The government published advice notes for buildings owners *Building safety advice for building owners* (also known as the Consolidated Advice Note, or CAN), which brought together the advice of the Independent Expert Advisory Panel.

**1.10** Responding to some of these concerns, MHCLG announced new pots of grant funding for remediation of residential buildings between May 2018 and February 2021.

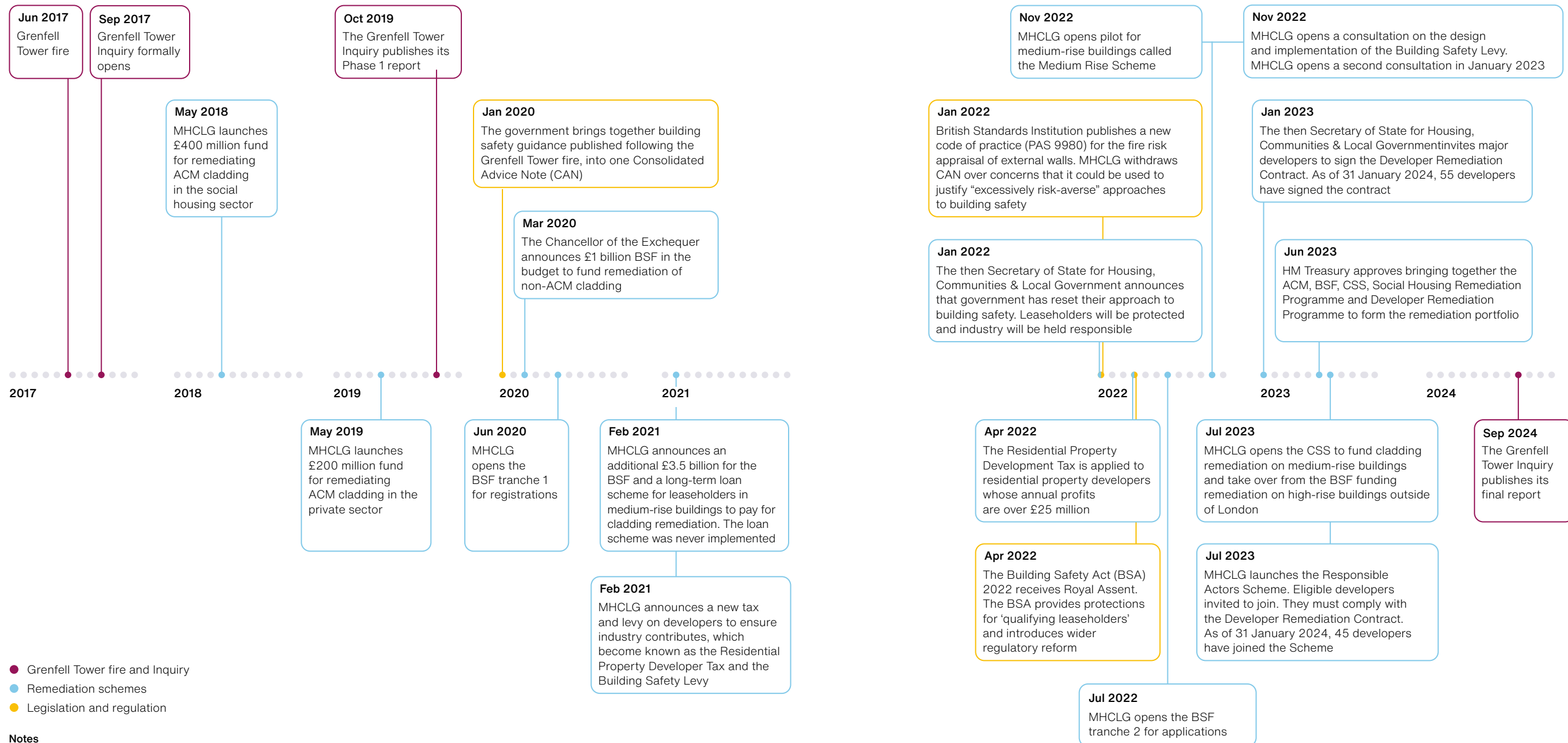
- May 2018: £400 million to meet the reasonable cost of removing and replacing unsafe ACM cladding on high-rise buildings in the social sector.
- May 2019: £200 million for replacing ACM cladding on high-rise private buildings where owners had failed to do so.
- March 2020: £1 billion for a Building Safety Fund (BSF) to support the remediation of unsafe non-ACM cladding systems on high-rise buildings in both the private and social housing sectors.
- February 2021: a further £3.5 billion through the BSF for removing unsafe cladding in high-rise buildings. This brought total government commitments for cladding remediation to £5.1 billion.

In February 2021, following the new IEAP advice on building height, MHCLG also announced a long-term loan programme for leaseholders in buildings between 11 and 18 metres (MHCLG later abandoned the loan programme), an industry levy and a residential property tax on developers to ensure industry contributes towards the costs of remediation; and measures to make it easier to buy, sell and get mortgages for affected properties (**Figure 1** on pages 22 and 23).<sup>11</sup>

<sup>11</sup> In April 2022, the government imposed a tax on profits arising from residential property development, on companies or groups of companies with annual profits over £25 million. Further information is available at: [www.gov.uk/government/publications/residential-property-developer-tax/residential-property-developer-tax](https://www.gov.uk/government/publications/residential-property-developer-tax/residential-property-developer-tax)

**Figure 1**  
Development of the Ministry of Housing, Communities & Local Government's (MHCLG's) response to the cladding crisis after the Grenfell Tower fire in June 2017

MHCLG brought the Aluminium Composite Material (ACM) programmes, Building Safety Fund (BSF), Cladding Safety Scheme (CSS), Developer Remediation Programme and Social Housing Programme together to form the remediation portfolio in June 2023



**Notes**

- 1 Medium-rise buildings refers to buildings between 11 and 18 metres in height.
- 2 The Developer Remediation Programme (DRP) includes the Developer Remediation Contract (DRC) and the Responsible Actors Scheme (RAS). Developers who sign the DRC commit to remediating buildings they developed or refurbished over the 30 years to 4 April 2022. This is supported by the RAS where eligible developers who refuse to join or have their membership revoked face significant consequences, for example, they can be denied planning permission.



## Protecting leaseholders and making industry pay

**1.11** In January 2022, the then newly appointed Secretary of State announced that the government was resetting its approach to building safety. The new approach centred around three key principles.

- **Proportionality:** MHCLG was concerned that an overly cautious approach to building safety meant that too many buildings were being declared as unsafe and undergoing “unnecessary and costly remediation work”. It stated that medium-rise buildings (11–18 metres) were safe unless there was clear evidence to the contrary and called for greater use of lower-cost mitigations such as sprinklers and fire alarms, which it said would be less disruptive for residents. In some cases, where risk is deemed low or ‘tolerable’, it could mean flammable cladding staying in place.
- **Protecting leaseholders:** MHCLG announced that no leaseholder living in a building above 11 metres would have to pay to fix dangerous cladding.<sup>12</sup> It scrapped the proposed loan scheme and promised statutory protections for leaseholders, including extending their right to challenge those who caused defects, retrospectively for up to 30 years.
- **Holding industry to account:** MHCLG announced that it would make the industries that profited from the sale of unsafe buildings pay to put things right. It introduced new legal powers to hold industry to account for fixing historical building safety defects and promised commercial consequences for those that refused to help.

<sup>12</sup> Under MHCLG's new approach leaseholders are protected from all cladding remediation costs for their dwelling if their lease is classed as 'qualifying'. A lease is qualifying if it meets all the following criteria: (a) it is a long lease (more than 21 years) of a single dwelling within a building of above 11 metres or at least five storeys; (b) the leaseholder is responsible for paying the service charge; (c) the lease was granted before 14 February 2022; and (d) on 14 February 2022 the dwelling was the leaseholder's only or main home or the leaseholder did not own more than three dwellings in the UK in total. All leaseholders (qualifying and non-qualifying) are exempt from covering cladding remediation costs if the building owner is, or is associated with, the original developer for buildings that are above 11 metres in height or have at least five storeys, contain at least two dwellings, and are not leaseholder-owned.

**1.12** In 2023, MHCLG launched three new programmes to support its policy reset: the Cladding Safety Scheme (CSS), the Developer Remediation Programme and the Social Housing Programme. They included grant funding to fix unsafe cladding in medium-rise buildings (11–18 metres) replacing the proposed loan programme (paragraph 1.10), and programmes to oversee remediation paid for by developers and social housing providers (**Figure 2** on pages 26 and 27).

**1.13** Together with the ACM and BSF programmes for high-rise buildings, the three new programmes offered routes to remediation for all affected residential buildings over 11 metres. However, it can be difficult to understand who pays. The system of residential property ownership in England – whereby most flat owners are long leaseholders<sup>13</sup> – is complex. Building owners are responsible for the safety of their buildings, and for ensuring fire safety defects (including cladding) are fixed.<sup>14</sup> MHCLG had initially expected them to pay to fix unsafe cladding – and they remain obliged to pay – but it has established remediation programmes that mean works may now be paid for by developers, registered providers of social housing or through one of the three government grants (Figure 2).<sup>15</sup> In the private sector, works may be paid for by the developer, or owners can apply for government funding if they are not, or not associated with, the developer. Where the original developer still owns the building, but cannot afford remediation costs, they can also apply for government funding. MHCLG now expects social sector building owners to fund remediation works themselves unless the developer has agreed to pay. They can also apply for government funding to cover the proportion of costs that would have been passed on to leaseholders, or the full cost of the works if paying for them would threaten their financial viability. Successful remediation is therefore dependent on building owners and developers doing the right thing by residents (**Figure 3** on pages 28 to 30).

<sup>13</sup> Long leaseholders own the property for a set time; the land is owned by a separate landowner or freeholder.

<sup>14</sup> Building owners sometimes delegate responsibility for repair and maintenance of a building's exterior (which includes cladding) to other bodies, for example to companies made up of leaseholders such as Right to Manage companies or Residents' Management Companies, or to head leaseholders.

<sup>15</sup> As a condition of government funding, applicants must have taken reasonable steps to recover funding from other sources, for example, via warranties, insurance claims or by pursuing other organisations in the supply chain where they are responsible for any defect. If the building owner is, or is associated with, the original developer then they must cover all costs relating to historical safety defects.

**Figure 2**

## Remediation programmes within the Ministry of Housing, Communities &amp; Local Government's (MHCLG's) cladding remediation portfolio, as at November 2024

MHCLG's remediation portfolio consists of three government-funded grant programmes, a programme to oversee progress made by developers and a programme to monitor progress in the social sector which currently focus on buildings over 11 metres

Key	Programme	Announced government funding	Cladding or defect type	Height of buildings within scope	Delivery model	Additional information	
Government-funded programmes	Aluminium Composite Material (ACM) programme	Social housing ACM fund	£400 million in May 2018	ACM	18 metres and over	MHCLG has delivery responsibility. The scheme is delivered by partners: the Greater London Authority (GLA) inside of London and Homes England (HE) outside of London	Set up to fund the reasonable cost of the removal and replacement of ACM cladding (the type used on Grenfell Tower) on social housing
		Private sector ACM fund	£200 million in May 2019	ACM	18 metres and over	MHCLG has delivery responsibility. The scheme is delivered by partners: the GLA inside of London and HE outside of London	Set up to address the lack of action taken by private building owners. The fund is to protect leaseholders incurring costs
	Building Safety Fund (BSF)	BSF tranche 1	£4.5 billion announced in total: £1 billion in March 2020 and £3.5 billion in February 2021	Unsafe non-ACM cladding	18 metres and over	MHCLG has delivery responsibility. The scheme is delivered by partners: the GLA inside of London and HE outside of London	Set up to fund the remediation of dangerous non-ACM types of cladding. The fund is to protect leaseholders incurring costs
		BSF tranche 2		Unsafe non-ACM cladding	18 metres and over	MHCLG has delivery responsibility. The scheme is delivered by partners: the GLA inside of London and HE outside of London	The BSF tranche 2 takes a more risk-driven, proportionate approach to what work is needed to make buildings safe. From July 2023 applicants for buildings over 18 metres outside of London apply to the CSS
	Cladding Safety Scheme (CSS)			Life safety fire risks associated with cladding	Between 11 and 18 metres in London and over 11 metres outside of London	HE is responsible for delivery	Set up to fund remediation of buildings 11 to 18 metres inside London and over 11 metres outside of London. The fund is to protect leaseholders incurring costs
Developer-funded programme	The Developer Remediation Programme (DRP) including the Developer Remediation Contract (DRC) and the Responsible Actors Scheme (RAS)	N/A	life-critical fire safety defects	11 metres and over	Delivery is overseen by MHCLG	Developers who sign the DRC commit to remediating buildings they developed or refurbished over the 30 years to 4 April 2022. This is supported by the RAS where eligible developers who refuse to join or have their membership revoked face significant consequences, for example, they can be denied planning permission or building control sign-off	
Monitoring programme	Social Housing Program (SHP)	N/A	life-critical fire safety defects	11 metres and over	Delivery is overseen by MHCLG	The Regulator of Social Housing and MHCLG are collecting data to monitor the remediation progress of social housing. Remediation of eligible social housing will be funded by one of the programmes above or paid for by the social housing provider	

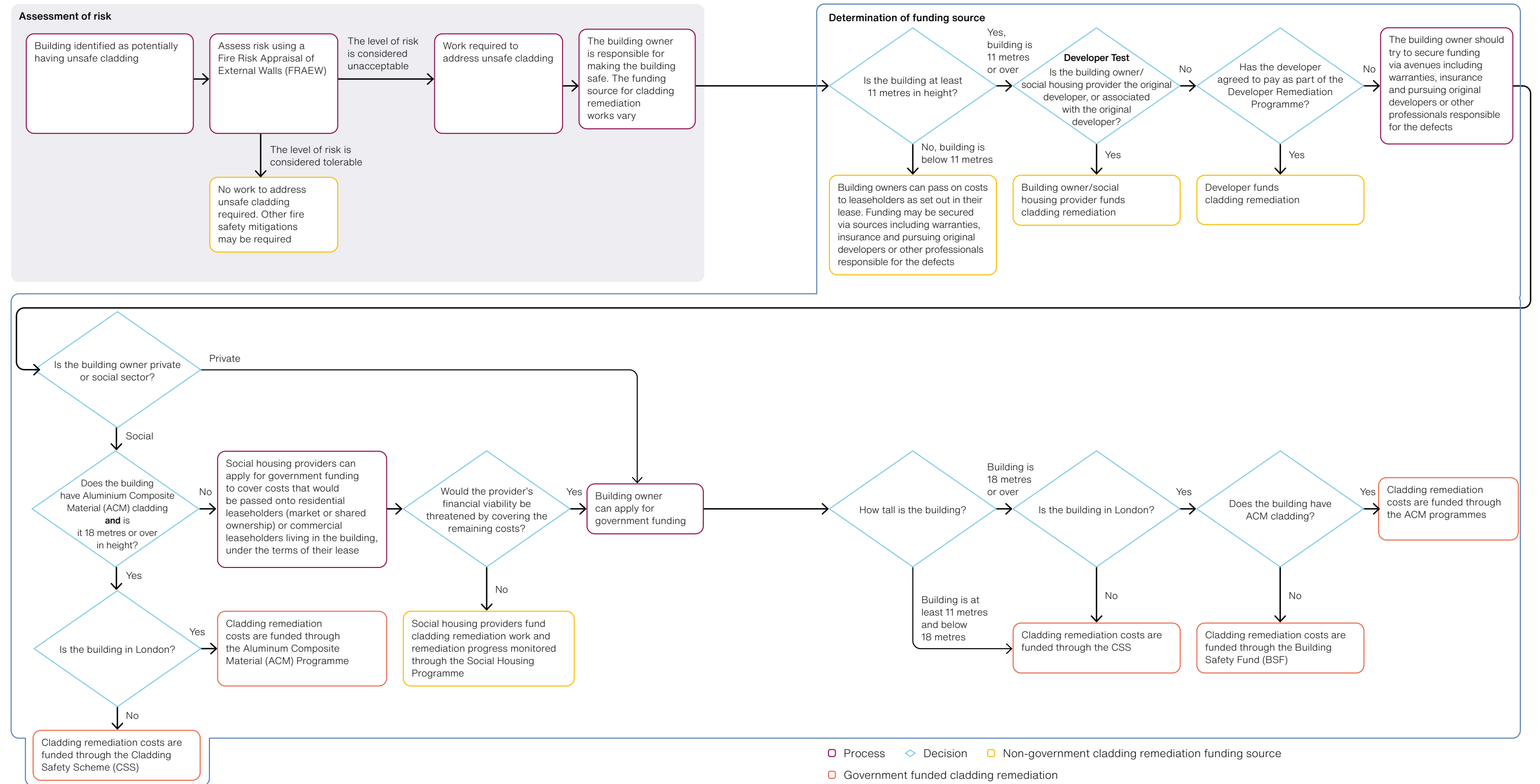
**Notes**

- 1 Total announced government funding for cladding remediation is £5.1 billion which can be spent across all government-funded programmes.
- 2 MHCLG expects 60 percent of buildings to be remediated via one of the government-funded programmes (the BSF, CSS and both ACM programmes).
- 3 MHCLG told us the ACM programmes may soon close to new applications.
- 4 MHCLG monitors progress of buildings with ACM cladding even if they are not receiving government funding.

Source: National Audit Office analysis of the Ministry of Housing, Communities & Local Government's published documentation about the programmes

**Figure 3**  
Remediation programmes for buildings with unsafe cladding, as at November 2024

Programmes exist to address dangerous cladding in all residential buildings over 11 metres, with costs normally covered by developers, government grants, or social housing providers



**Figure 3** *continued*Remediation programmes for buildings with unsafe cladding,  
as at August 2024**Notes**

- 1 The figure shows a simplified illustration of the different routes to remediating buildings with unsafe cladding. In reality the process is complex, there can be disputes, and it can take a long time to determine what remediation work needs doing and who pays.
- 2 This figure shows the determination of responsibility for funding remediation work associated with unsafe cladding systems. It does not include responsibility for costs associated with non-cladding remediation work such as to replace fire doors that are no longer safe or to fix missing compartmentation.
- 3 MHCLG told us that the ACM programmes may soon close to new applications.
- 4 Applicants for government funding apply through a single application portal regardless of which fund they are eligible for.
- 5 The Developer Remediation Programme covers: i) the Developer Remediation Contract, which is a membership programme for developers to commit to identifying and remediating buildings which they developed or refurbished over the 30 years to 4 April 2022; and ii) the Responsible Actors Scheme, which is a statutory scheme whereby eligible developers who refuse to join or have their membership revoked face significant consequences such as being prohibited from securing building control sign-off.
- 6 In the Ministry of Housing, Communities & Local Government's (MHCLG)'s monthly published data releases, remediation progress of social housing funded through the CSS, ACM or BSF is reported under both the Social Housing Programme and the CSS, ACM or BSF.
- 7 MHCLG considers the fire safety risk to be far lower in buildings below 11 metres and that lower-cost mitigations such as fire alarms are likely to be sufficient to make them safe.
- 8 Where the developer, building owner or provider of social housing is responsible for paying for cladding remediation works, they may pursue warranties and insurance claims and other professionals to cover the costs. Government will cover cladding remediation costs where the original developer cannot afford to.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government remediation programme guidance

**1.14** The Building Safety Act 2022 makes it illegal for building owners to pass on the costs of cladding remediation work to leaseholders, but it is complex and there are some exclusions to the leaseholder protections, including that:

- **leaseholders in buildings over 11 metres may still have to contribute to costs of non-cladding remediation work, although this is capped.** Building owners must ensure they have exhausted all other routes for funding before passing on any costs to leaseholders, but where none are available, the amount they can pass on will normally be capped at £15,000 in Greater London and £10,000 elsewhere;
- **there is no government funding for buildings below 11 metres.** MHCLG considers the fire safety risk to be far lower in buildings below 11 metres and that lower cost mitigations such as fire alarms are likely to be sufficient to make them safe. It had no estimates for the number of low-rise buildings with dangerous cladding, but understood it was less prevalent; and
- **some buy-to-let landlords may need to contribute to the costs of cladding remediation.** Buy-to-let owners are not protected from the costs of cladding remediation works if they own more than three properties in the UK, unless they live in the affected property as their principal home. Additionally, there are other situations where a leaseholder would not be covered by the protections, for example, where there is a short lease.

EOCS told us that the exclusion of non-cladding costs was a significant issue and that the extent of protections in complex ownership structures was not always clear. Even though capped, EOCS said the costs for many qualifying leaseholders are still unaffordable, and an inability to pay for defects that are not eligible for funding is impacting the overall pace of remediation. Leaseholder protections do not apply where leaseholders also own the freehold; these are 'leaseholder-owned buildings'. However, in cases where a freeholder is also a leaseholder of one or more flats in the building, EOCS said it was unclear whether the building is considered 'leaseholder-owned' and therefore whether the other leaseholders in the building are protected.

**1.15** In resetting its approach in January 2022, MHCLG decided that public funding would be capped at £5.1 billion in the long run. All further costs would be met by industry, either directly by remediating buildings they had developed (self-remediation) or indirectly through the Building Safety Levy and refunds to government for buildings it had paid to remediate (see Part Three).<sup>16</sup>

### **How MHCLG is managing remediation activity**

**1.16** In 2023, MHCLG brought its five remediation programmes together in a single portfolio. There is considerable uncertainty around the total number of buildings to be remediated and therefore how much it will cost (see paragraphs 1.21 to 1.23). But, as at August 2024, based on its latest modelling, MHCLG anticipated that the portfolio would be overseeing remediation of an estimated 9,000 to 12,000<sup>17</sup> buildings over 11 metres at an estimated total cost of between £12.6 billion and £22.4 billion, with a central estimate of £16.6 billion.<sup>18</sup> The portfolio's overarching aim, backed up by six supporting objectives, is "to bring all affected buildings to the minimum life-safety standard quickly, completely, proportionately, and consistently, while ensuring that residents are considered throughout the remediation process, delivering value for money and pursuing those responsible for the cost of remediation." MHCLG officials told us that the single remediation portfolio effectively replaces the Building Safety Programme. It is the largest portfolio of its kind anywhere in the world.

<sup>16</sup> In 2021, the government announced its intention to introduce a Building Safety Levy as a tax on new residential developments.

<sup>17</sup> These estimates have been rounded to the nearest thousand.

<sup>18</sup> Estimates for cost and number of buildings are based on modelling from February 2024. MHCLG intends to update its model and revise its estimates in autumn 2024.

## Stakeholders

**1.17** As steward of the built environment, MHCLG is accountable to Parliament for how it uses public money to achieve its priority objective of ensuring that buildings are safe. MHCLG is operating within a complex environment and is dependent on a large range of stakeholders to deliver the portfolio's objectives, and roles and responsibilities are not always clear. It acknowledges that misaligned incentives between these groups can slow down remediation activity. Stakeholders include:

- **building owners:** which includes freeholders, are responsible for the safety of their own buildings, including remediating unsafe cladding.<sup>19</sup> MHCLG has made funding available to support freeholder remediation, but some freeholders pay for their own remediation without government support. MHCLG is reliant on owners to engage with the process willingly or through enforcement;
- **social housing providers:** responsible for the safety of the buildings they own and also able to access MHCLG funding although in more limited circumstances. Registered providers of social housing, including local authorities and housing associations, are regulated by the Regulator of Social Housing;
- **industry:** including developers, construction contractors, cladding firms, surveyors, fire safety engineers, fire risk assessors and product manufacturers. The portfolio depends on developers to deliver on their contractual obligations<sup>20</sup> to remediate buildings and refund government. Remediation also depends on the supply chain in the construction industry to ensure there is sufficient capacity to assess and remediate thousands of buildings to the required quality;
- **financial markets and insurers:** residents rely on mortgage providers lending on properties when buying and selling affected homes. Owners and residents also need buildings insurance to live securely in their homes. The risks from dangerous cladding have affected the availability of both, and the cost of insurance, prompting MHCLG to engage with the sector on behalf of residents;
- **residents and leaseholders:** MHCLG has committed to protecting leaseholders from the financial costs of remediating dangerous cladding and ensuring that residents are informed and considered throughout the remediation process; and
- **regulators, local authorities, approved inspectors and fire and rescue services:** MHCLG relies on multiple bodies to identify and monitor buildings that need remediation and to use enforcement powers to drive remediation activity forward. If introduced as currently planned, MHCLG will rely on local authorities to collect the Building Safety Levy.

<sup>19</sup> See footnote 14.

<sup>20</sup> At the time of writing, 55 of the country's largest developers had committed to fixing life-critical safety defects for buildings they had developed or refurbished by signing the Developer Remediation Contract.

## Governance and organisational design

**1.18** Four programme delivery boards oversee and assure the work of the five delivery programmes, supported by eleven functional teams (**Figure 4** on pages 34 to 36).

**1.19** MHCLG had a clear rationale for moving to a portfolio model. Following the policy reset in January 2022, the nature and scope of its remediation activity changed significantly. It went from two programmes to five, each with different delivery models and levels of maturity, and from an estimated 1,700 eligible buildings (over 18 metres) to between 9,000 and 12,000 buildings (over 11 metres). MHCLG believed a portfolio approach would maximise value for money and ensure that remediation took place quickly, completely and consistently across the programmes. In taking this approach, MHCLG aimed to provide an overarching strategy for managing income and expenditure (to keep within the £5.1 billion funding envelope) and provide effective risk management and a common approach to tackling barriers, such as those impacting pace.

## Understanding uncertainty

**1.20** There is an unusually high level of uncertainty over lifetime costs and timescales for the portfolio compared with most government programmes at full business case stage. MHCLG has estimated a range of costs based on key assumptions around: the number of buildings that will need government funding, unit costs, pace and industry capacity to meet demand for remediation work. It updated its estimates in February 2024 and plans to continue to review them on a six-monthly basis.

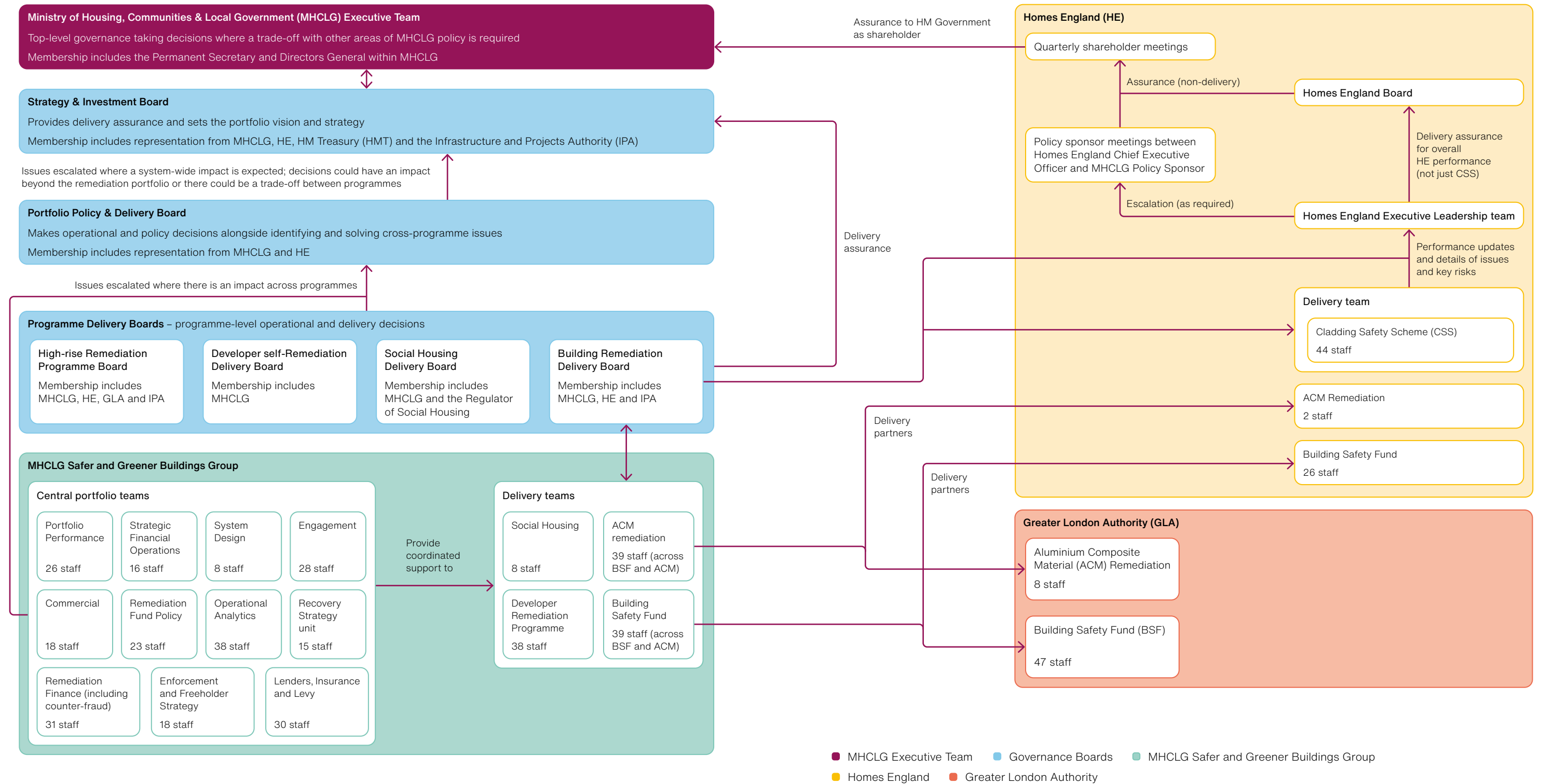
### **Estimating the number of affected buildings**

**1.21** Estimating the number of buildings with dangerous cladding is difficult. At the time of the Grenfell Tower fire, there was no centrally held list of high-rise buildings and their characteristics. MHCLG has worked with local bodies, social housing providers and other government departments to identify buildings potentially at risk. Data quality issues – such as incomplete building records and inaccurate building height measurements – add to the challenge. Building configurations, such as interlinked blocks of different heights, can also cause confusion about how many buildings have dangerous cladding and which are in scope for government funding.



**Figure 4**  
The cladding remediation portfolio governance structure

The cladding remediation portfolio consists of five delivery teams working on specific programmes, supported by central teams delivering common functions. Work is overseen by programme delivery boards, which report into a portfolio-level board



**Figure 4** *continued*

## The cladding remediation portfolio governance structure

**Notes**

- 1 MHCLG has delivery responsibility for the Building Safety Fund (BSF) and the Aluminium Composite Material (ACM) programmes. The Greater London Authority (GLA) and Homes England (HE) are the delivery partners for the BSF and for the ACM programmes.
- 2 MHCLG delegated delivery responsibility for the Cladding Safety Scheme (CSS) to Homes England.
- 3 This figure excludes teams within the Safer and Greener Buildings Group who are not part of the remediation portfolio, such as those engaged with the Grenfell Inquiry.
- 4 Staff numbers are rounded to the nearest whole number and show the full-time equivalent budgeted for in each team, correct as at August 2024. The 44 staff budgeted for the CSS delivery team in Homes England reflects the expected number of staff once all transfers of buildings from the BSF to the CSS are complete (see paragraph 2.24).
- 5 Staff numbers for ACM remediation in GLA and HE cover private sector only.
- 6 The Remediation Finance (including counter-fraud) team is specific to the BSF.

Source: National Audit Office analysis of portfolio business case and organisational diagrams

**1.22** Given the high levels of uncertainty, MHCLG uses a range when estimating the number of buildings that will need remediating. The wide range in MHCLG's estimate is driven largely by uncertainty in the prevalence of medium-rise buildings with dangerous cladding.<sup>21</sup> These buildings have been in scope for less time and there are many more of them than high-rise buildings, so estimates are immature. While relatively untested, recent data from the Regulator of Social Housing, based on surveys of registered providers, suggest that the number of medium-rise social housing buildings overall, and therefore the number requiring remediation, may be lower than MHCLG initially expected. This could potentially result in the overall number of buildings being below 9,000 – the bottom of the range of MHCLG's estimate for the number of buildings affected. MHCLG also expects its range to narrow as the level of demand for the CSS becomes clearer. In February 2024, it observed that, although CSS data was too immature to project robust estimates, demand trends for CSS between July and October 2023, if they were to continue, would mean fewer buildings than it had assumed going through the programme.

**1.23** MHCLG models costs and timescales for the high, low and central points in its estimates, and continues to refine its estimates to narrow the range. In February 2024, MHCLG lowered its central estimate of the number of high-rise buildings needing remediation from 3,500 to 2,900. In its next review, due in autumn 2024, MHCLG plans to use new data sources and methods for further analysis. For example, it plans to incorporate intelligence from the next quarterly social housing survey. MHCLG is also using data from the Building Safety Regulator's new register of high-rise buildings to identify any not currently known. MHCLG told us that it expects its estimate of the number of buildings with dangerous cladding to reduce significantly in its autumn review.

<sup>21</sup> This is MHCLG's best estimate as at February 2024 based on data from December 2023. MHCLG's central estimates are 2,900 high-rise, 7,500 medium-rise and 10,400 for all buildings over 11 metres.

# Part Two

## Progress with remediation

**2.1** This part of the report sets out how the Ministry of Housing, Communities & Local Government (MHCLG) is monitoring and assessing progress, how the portfolio is performing and how MHCLG learns and applies lessons to its remediation programmes.

### **Monitoring and assessing progress**

#### Data

**2.2** The remediation portfolio and the information collected under the new building safety regime are rare examples of data on buildings being collected on a national scale. Building control, planning and fire safety are managed at the local level, while bodies such as Homes England only collect data for buildings that interact with its services. The portfolio collects large amounts of building-level data to track remediation progress. The Building Safety Act 2022 introduced rules for mandatory registration of higher-risk residential buildings (over 18 metres) with the Building Safety Regulator (BSR), recording details of the building structure, fire safety information and points of contact for those accountable for the building. Reliable data on subjects such as building ownership, occupancy and construction materials could be of benefit to future government activity, such as adapting buildings to achieve net zero or to respond to climate change.

**2.3** The way in which the remediation programmes were set up has resulted in a fragmented landscape where data exist in different systems. Current data allows delivery teams to track buildings within a programme and assess how far they are through remediation, but a considerable amount of manual processing is needed to produce portfolio-level information. MHCLG told us it is developing a single data platform to automate portfolio data processing and expects it to be operational in 2025.

**2.4** MHCLG produces two principal sets of data for assessing portfolio performance:

- **monthly management information (MI) reporting:** monthly performance packs for the Strategy and Investment Board. In March 2024, MHCLG introduced a four-tiered RAG rating for assessing performance against the portfolio's priorities and the portfolio overall.<sup>22</sup> The packs include performance summaries for each priority and a delivery update for each programme, alongside a summary of key risks and expenditure against budget; and
- **public datasets:** MHCLG publishes monthly updates on the number and remediation status of buildings being monitored by each of the five programmes. It also provides an aggregate portfolio view and a dashboard that shows these data in accessible formats.

### Milestones

**2.5** MHCLG has not published delivery milestones, which makes it difficult for the public and Parliament to understand overall portfolio performance and means that many people in affected buildings have no indication of when their properties will be made safe. Where cladding remediation projects are planned or underway, MHCLG expects those responsible for remediation to keep residents informed about their building project. It has developed a code of practice to support this (paragraph 2.14).<sup>23</sup> However, for residents in the many buildings not yet in the portfolio, or where works are not yet planned in those being remediated privately, there is no end in sight. Between October 2023, when portfolio reporting started, and August 2024, the number of buildings on which remediation works had started or completed increased by 57%, from 1,512 to 2,377. But a 2019 target announced by ministers – that building owners should complete remediation of all high-rise buildings with aluminium composite material (ACM) cladding by 2020 – set expectations that were not met. MHCLG is now setting key performance indicators for internal monitoring purposes. In February 2024, its modelling indicated a date of 2035 for all buildings over 11 metres with unsafe cladding to be remediated.

<sup>22</sup> MHCLG rates delivery likelihood as one of 'red, amber/red, amber/green, or green'.

<sup>23</sup> Ministry of Housing, Communities & Local Government, *Guidance: Code of Practice for the remediation of residential buildings*, July 2023 (viewed on 1 October 2024).

## Identifying dangerous buildings and bringing them into the portfolio

**2.6** Identifying buildings with dangerous cladding is complex. While MHCLG says it is not responsible for identifying buildings, in practice it has often undertaken this activity. In 2020 we reported on the challenges that MHCLG and local authorities had encountered in identifying high-rise buildings with ACM cladding. These included tracing owners and dealing with incomplete building records, and construction materials that differed from those on building plans. Local authorities told us that increasing the scope to include medium-rise buildings made the task considerably more challenging. There are many more of them, and (unlike for high-rise buildings) there is currently no mandatory registration for buildings below 18 metres. Along with the work of local authorities and other local bodies, MHCLG gathers data on buildings using social housing surveys, remediation funding applications, data received from developers in the Developer Remediation Programme and its own analysis of available datasets. Once buildings are known to MHCLG and confirmed to have dangerous cladding, they are included and reported on in the portfolio.<sup>24</sup>

**2.7** MHCLG expects that far more buildings will need to be remediated than are currently in the portfolio.<sup>25</sup> As at August 2024, MHCLG was actively monitoring the progress of 4,771 residential buildings over 11 metres, equating to around 258,000 homes. Of these, 2,821 were high-rise buildings and 1,950 medium-rise. Using MHCLG's central estimate of 10,400 (2,900 high-rise and 7,500 medium-rise), some 46% of buildings likely to need remediating were in a government programme or, between 39% and 54% using the high and low estimates in the range.<sup>26</sup> Seven years on from Grenfell, MHCLG told us that it was confident it had identified most affected high-rise buildings with unsafe cladding; as at August 2024, 98% of estimated high-rise buildings were in a remediation programme. Following the introduction of mandatory registration of higher-risk buildings in October 2023, the BSR passed over details of 319 previously unknown buildings as potentially having ACM cladding. By September 2024, MHCLG reported that 16 of these had been found to have unsafe ACM cladding, 298 had been ruled out and a further five were still being investigated. Medium-rise buildings have been within scope for much less time and as at August 2024, 26% of buildings estimated to need remediating were in a programme.

<sup>24</sup> The portfolio progress data do not capture buildings being remediated privately outside of MHCLG's five programmes except for buildings identified with ACM cladding.

<sup>25</sup> Buildings in the portfolio include those in the ACM, Building Safety Fund, CSS, Developer Remediation Programme and Social Housing Programme.

<sup>26</sup> MHCLG's estimate excludes non-permanent residential buildings such as hotels and student accommodation, however the 4,771 buildings monitored in its portfolio includes some non-permanent residential buildings with ACM cladding.

**2.8** MHCLG does not expect high volumes of new high-rise buildings, but it is taking longer than it expected to bring medium-rise buildings into the portfolio. Challenges include:

- building owners failing to come forward in the numbers expected. Building owners, who are responsible for fixing unsafe cladding, can apply for government funding – the Cladding Safety Scheme (CSS) – to pay for cladding remediation works, but engagement with the portfolio is voluntary. Officials told us that, despite the offer of funding, many building owners had not come forward, and the number of medium-rise buildings entering the CSS (405 as at August 2024) is lower than MHCLG had expected;
- in July 2024, MHCLG reported that developers in the Developer Remediation Programme had been slow to determine which of their buildings they needed to remediate. By July 2024, from a total of 4,668 buildings covered by the Developer Remediation Contract, 32% (1,480) had been confirmed as needing remediation but developers were still investigating 29% (1,353);<sup>27</sup> and
- in August 2024, there were 2,507 social housing buildings in the portfolio, of which 1,216 were medium-rise. This is below MHCLG's most recent central (or most likely) estimate of 3,500 social housing sector buildings needing remediation, of which 2,375 were medium-rise (range 1,776 to 2,695). However, in July 2024 MHCLG reported that it had low confidence in its estimate of how many social sector buildings needed remediating.

**2.9** MHCLG says it is seeking ways to bring buildings into the portfolio more quickly. In July 2024, it was developing a strategy for locating buildings not yet in a programme and looking to use technology, including artificial intelligence (AI), combined with the expertise of its delivery partners, Homes England and local bodies, to identify unsafe buildings and prompt remediation. Using MHCLG-compiled lists, Homes England investigates whether buildings have dangerous cladding, identifies the relevant freeholder or managing agents and contacts those that may be eligible for the CSS. This can take around four months. In July 2024, it was investigating over 3,500 buildings at a rate of 250 per week, to determine whether they had unsafe cladding. Homes England said it was recruiting staff to increase this rate, but told us it had already investigated and ruled out 3,600 buildings as not being eligible. However, there is a risk that some may never be identified.

<sup>27</sup> Data on assessments is self-reported by the developer.

**2.10** Different groups of building owners will need different approaches to incentivise them to engage with the portfolio. MHCLG understands that building owners may be reluctant to register with remediation programmes for fear of uncovering other, non-cladding-related problems that may be out of scope for government funding. It recognises that others, such as Right to Manage companies, can have limited capacity and little experience of construction projects and may struggle to navigate the process. Programmes are developing escalation strategies to incentivise, encourage and compel different categories of freeholder, social housing provider and developer to engage. In July 2024, as part of its process to bring buildings into the portfolio, Homes England reported that it was sending regular letters to the responsible parties for 796 buildings to remind them of their obligations to fix dangerous cladding.

## Remediating dangerous buildings

### Progress with remediation

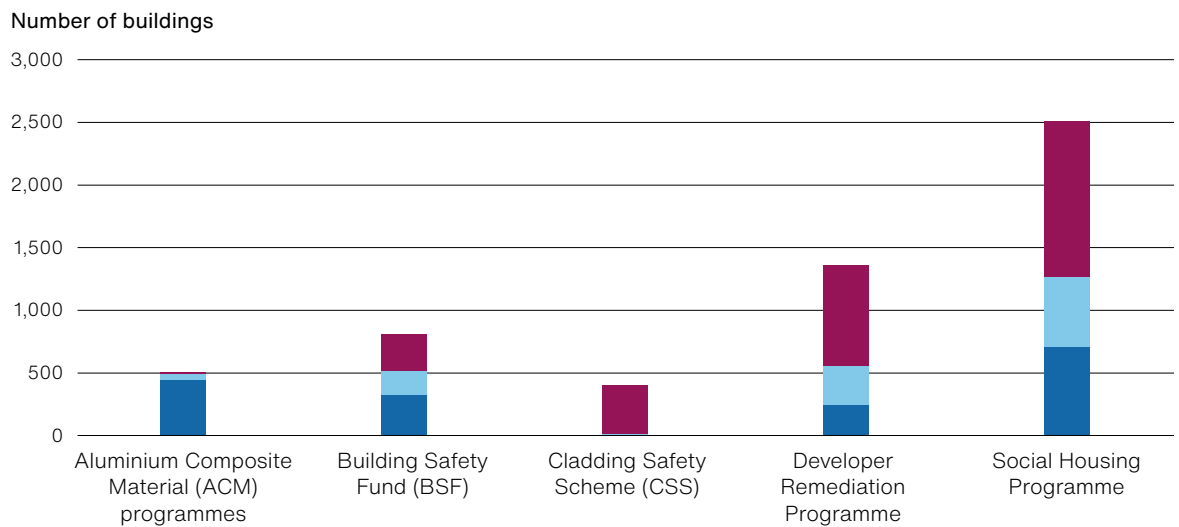
**2.11** MHCLG has overseen a substantial increase in remediation activity since we last reported in 2020. In April 2020 it had identified 456 buildings with ACM cladding. Of these, remediation was complete on 163 (including 14 waiting for building control sign-off), in progress on 126 and yet to start on 167.<sup>28</sup> By August 2024, remediation was complete for 442 out of 503 buildings in the ACM programme (88%). As scope has expanded, more buildings have come into the portfolio. Of the 4,771 buildings that MHCLG was monitoring in August 2024, remediation was complete on 1,392 (29%), in progress on 985 (21%), and yet to start on 2,394 (50%) – equivalent to around 116,000 homes. Compared to its central estimate, remediation is complete on 13% of affected buildings. Using the range, remediation is complete on 12% and 16% of MHCLG's high and low estimates respectively. This is because the individual programmes are at different levels of maturity and remediation progress differs considerably between them. For example, where the ACM programme (launched 2018-19) is nearing completion, the CSS (launched in July 2023), had only ten buildings on site in August 2024 and had yet to see its first building fully complete remediation (**Figure 5** overleaf).

<sup>28</sup> In our 2020 report, we present the number of buildings for which remediation was complete as at April 2020, as 149 (excluding 14 buildings which are complete but waiting for building control sign-off), and 140 buildings in progress (including 14 buildings which are complete but waiting for building control sign-off). See Comptroller and Auditor General, *Investigation into remediating dangerous cladding on high-rise buildings*, Session 2019-2021, HC 370, National Audit Office, June 2020.

**Figure 5**

Progress remediating buildings across the programmes in the Ministry of Housing, Communities & Local Government’s remediation portfolio as at August 2024

Remediation progress within each of the five programmes varies, with the oldest – the Aluminium Composite Material programmes – having the highest proportion of completions



	Aluminium Composite Material (ACM) programmes	Building Safety Fund (BSF)	Cladding Safety Scheme (CSS)	Developer Remediation Programme	Social Housing Programme
Not started	13	288	395	804	1,239
Remediation started	48	191	10	306	565
Remediation complete	442	326	0	247	703
<b>Total</b>	<b>503</b>	<b>805</b>	<b>405</b>	<b>1,357</b>	<b>2,507</b>

**Notes**

- 1 The total number of buildings within the five programmes do not sum to the total number of buildings reported in the portfolio. This is because some buildings are included in the data for multiple programmes. For example, all social housing buildings are included in the social housing programme data but some are also included in the ACM, BSF, CSS and developer remediation data.
- 2 The social sector ACM programme opened for applications in July 2018, the private sector ACM programme opened for applications in September 2019, tranche 1 of the BSF programme opened for registrations in June 2020, tranche 2 of the BSF programme opened for registrations in July 2022, the CSS opened for applications in July 2023 and the first developers to sign the remediation contract did so between January and March 2023.
- 3 Data for the ACM programmes include buildings remediated with government funding and those which are privately funded. The data also includes hotels, student accommodation and publicly-owned buildings.
- 4 Data for the Developer Remediation Programme cover those buildings being directly remediated by the developer and exclude those which are being remediated in a government-funded scheme where the developer will reimburse government. This data is self-reported by the developer.
- 5 Data for the CSS only include buildings which have been assessed as eligible for funding. Three of the buildings in the CSS, for which remediation work has not started, are in Northern Ireland.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data



**2.12** Pace has been a persistent concern and remediation within the portfolio is progressing more slowly than MHCLG expected. We previously reported that progress on the ACM programme had fallen behind MHCLG's expectations by April 2020. MHCLG monitors portfolio performance by tracking actual progress against the progress it would need to make against its central estimate – which MHCLG considers the best gauge of portfolio performance. By March 2024, works had started on 355 (16%) fewer buildings than expected (**Figure 6** overleaf). Works were on site for 1,380 high-rise buildings against expected starts (to meet the central estimate) of 1,463 (94%), and 492 medium-rise buildings against expected starts of 764 (64%). Demand for the CSS is lower than had been anticipated in the portfolio business case, and this is impacting the number of starts on site. However, Homes England remains confident that it can meet the CSS target for works to start on 164 buildings in 2024-25 but in most cases it expects this will happen later in the year than planned. In April 2024, the number of social sector buildings for which work had started on site was 19% lower than providers had expected in November 2023, but the number of buildings for which work had completed was higher. MHCLG has suggested that provider forecasts may be over-optimistic.

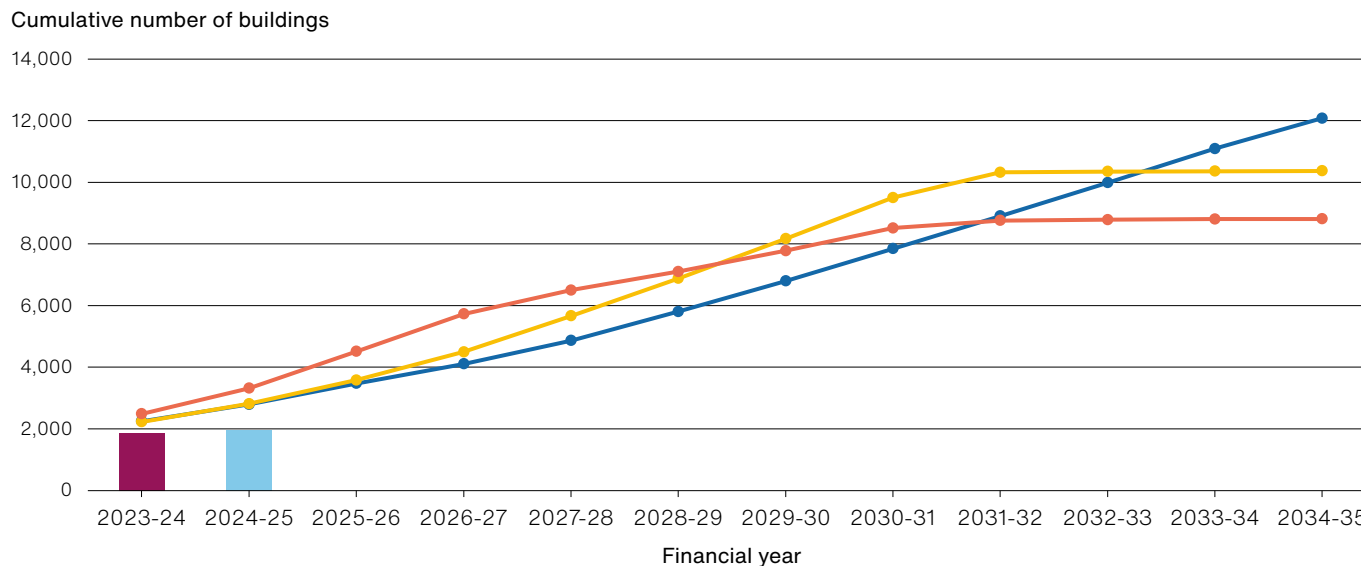
**2.13** Reviews of the programmes have highlighted lengthy processes for applicants to demonstrate eligibility and develop costed plans, and challenges with the technical competence and motivation required for applicants to request quotes, negotiate with contractors, understand legal arrangements and communicate with leaseholders and residents. Timescales vary significantly between projects, but in 2024 MHCLG published indicative timescales for a building passing through each stage of the Building Safety Fund (BSF) process together with example causes of delay.<sup>29</sup> This timetable suggests a building might expect to take 38 months or just over three years from application to completion of works. Delays can occur both before and after work starts on site. Many buildings have needed at least one variation to the funding agreement (paragraph 3.6), for example, where previously unknown defects are uncovered once cladding is removed.

<sup>29</sup> Ministry of Housing, Communities & Local government, *Guidance: Building Safety Fund: process guide for residents*, 17 January 2024 (viewed on 22 October 2024).

### Figure 6

Cumulative total number of buildings that have started remediation work each year compared to the Ministry of Housing, Communities & Local Government's (MHCLG's) three planning scenarios

Fewer buildings have started remediation work on site than MHCLG expected, compared to all of its scenarios



	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Starts on site (actuals)	1,872											
Starts on site (to May 2024)		1,969										
High scenario	2,244	2,791	3,471	4,104	4,864	5,804	6,797	7,846	8,905	9,987	11,091	12,081
Central scenario	2,227	2,813	3,579	4,496	5,664	6,880	8,166	9,502	10,324	10,347	10,360	10,368
Low scenario	2,483	3,315	4,511	5,729	6,501	7,101	7,776	8,516	8,761	8,787	8,804	8,814

**Notes**

- 1 This figure presents 'starts on site' data for the buildings that MHCLG monitors in its portfolio. These include buildings receiving government funding through its grant programmes, and those captured in the Developer Remediation and Social Housing Programmes. Except for some buildings with Aluminium Composite Material cladding, the portfolio does not include buildings being remediated privately. This means that the figure compares starts on data, which exclude most privately-remediated buildings, to planning scenarios which include some buildings that may be remediated privately.
- 2 The data for the number of actual starts on site for 2024-25 shows data to May 2024.
- 3 MHCLG's planning scenarios are based on its low, central and high estimates of the total number of buildings that need remediation work along with various other assumptions which account for the different shapes of the lines.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data

**2.14** We have not seen clear and consistent data across the portfolio that might allow someone in an affected building to understand how progress in their building measures against comparable buildings and whether pace is reasonable. MHCLG's indicative timescales for progression through the BSF process provide some expectations, and its 2023 code of practice is clear that projects should communicate with residents about their buildings. However, residents may not always find it satisfactory to be reliant on communications from building owners, given that they or their agents can often be responsible for project delays. We did not see evidence on how well the code of practice is operating in practice and whether it is helping to reduce delays. End Our Cladding Scandal (EOCS) told us that application of the code remains inconsistent with limited mechanisms for enforcement. They remained concerned that the code was not explicit about communication of timescales. **Figure 7** (overleaf) shows how the progress of one building funded by the BSF encountered delays both before and after the start of remediation work on site. Having initially expected completion in early 2023, MHCLG now expects this to occur in late 2024.

## Spending

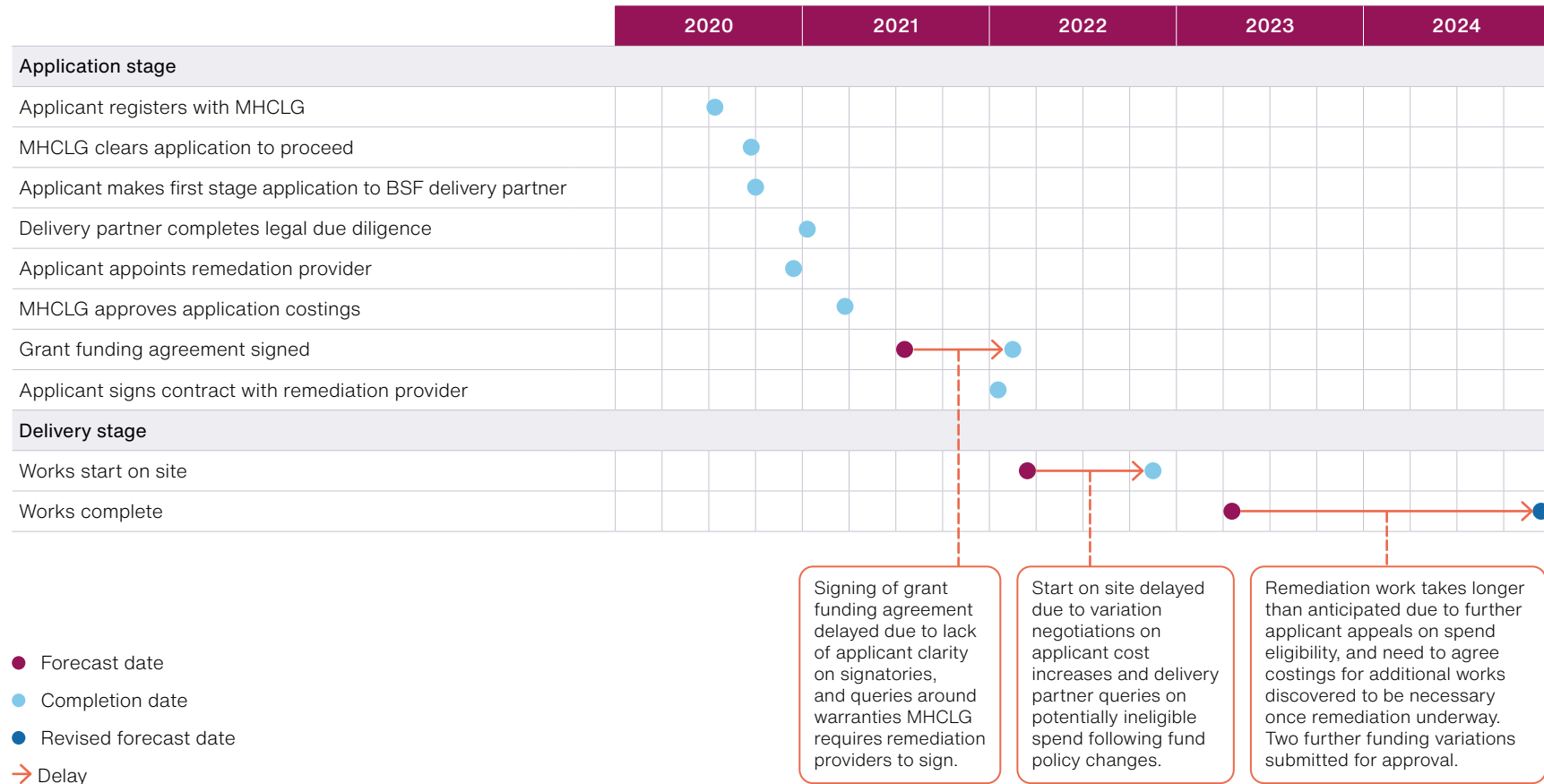
**2.15** By August 2024, MHCLG had spent £2.3 billion on the remediation of buildings. The BSF accounts for 77% of spending to date (**Figure 8** on page 47). MHCLG had also spent £166.3 million on running costs for the programmes by August 2024, including staff and consultancy costs. Slower than expected progress with remediation has meant expenditure remains lower than MHCLG initially expected. Actual expenditure has been consistently lower than spending profiles set out in MHCLG's original business cases, and by March 2024, was over £1 billion behind initial expectations of £3.4 billion (**Figure 9** on pages 48 and 49). The original spending profiles were updated in the 2023 portfolio business case, which showed anticipated total remediation costs to HM Government of the ACM, BSF and CSS programmes reaching £9.2 billion by 2031-32. In February 2024, MHCLG revised this to £9.1 billion by 2032-33.<sup>30</sup> It intended to fund these programmes through taxpayer contributions of £5.1 billion, and the remainder to be recouped from industry through developer refunds and the Building Safety Levy (see paragraph 3.11).

<sup>30</sup> £9.1 billion represents MHCLG's central estimate of cost from a range of £6.5 billion to £13.4 billion.

### Figure 7

#### An example building's progress through the Building Safety Fund (BSF)

Following several delays, the example building is due to complete remediation 19 months later than originally expected



#### Notes

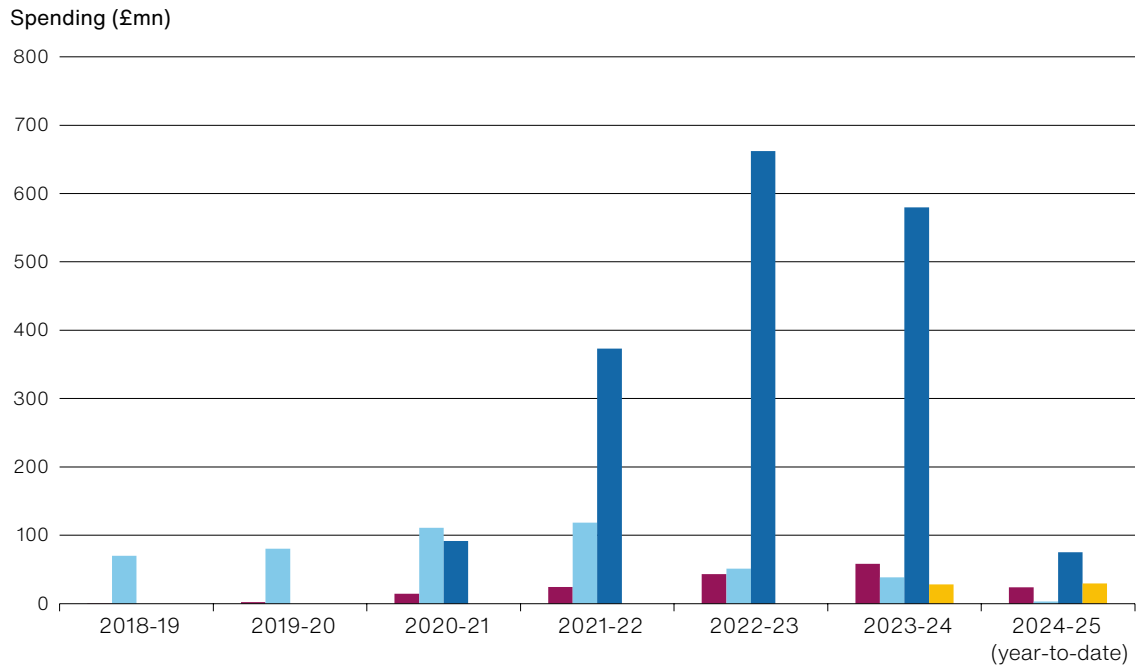
- 1 The example presented is an anonymised building that has received support through the Building Safety Fund (BSF).
- 2 BSF delivery partners administer the fund on behalf of the Ministry of Housing, Communities & Local Government (MHCLG). The Greater London Authority is the delivery partner for buildings in London, and Homes England is delivery partner for buildings elsewhere in England.

Source: National Audit Office analysis of data provided by the Ministry of Housing, Communities & Local Government and delivery partners

**Figure 8**

The Ministry of Housing, Communities & Local Government's (MHCLG's) annual spending by remediation programme, 2018-19 to 2024-25 (year to date)

**Total spending has increased each year with most going towards the Building Safety Fund**



	Financial year						
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 (year-to-date)
■ Resource spend	0.1	2.3	14.4	24.2	43.1	58.3	23.9
■ Aluminium Composite Material programmes	69.8	80.4	111.2	118.6	51.2	38.6	3.1
■ Building Safety Fund			91.9	373.2	662.3	579.8	75.3
■ Cladding Safety Scheme						28.2	29.5
<b>Total</b>	<b>69.9</b>	<b>82.7</b>	<b>217.5</b>	<b>516.0</b>	<b>756.7</b>	<b>704.9</b>	<b>131.7</b>

**Notes**

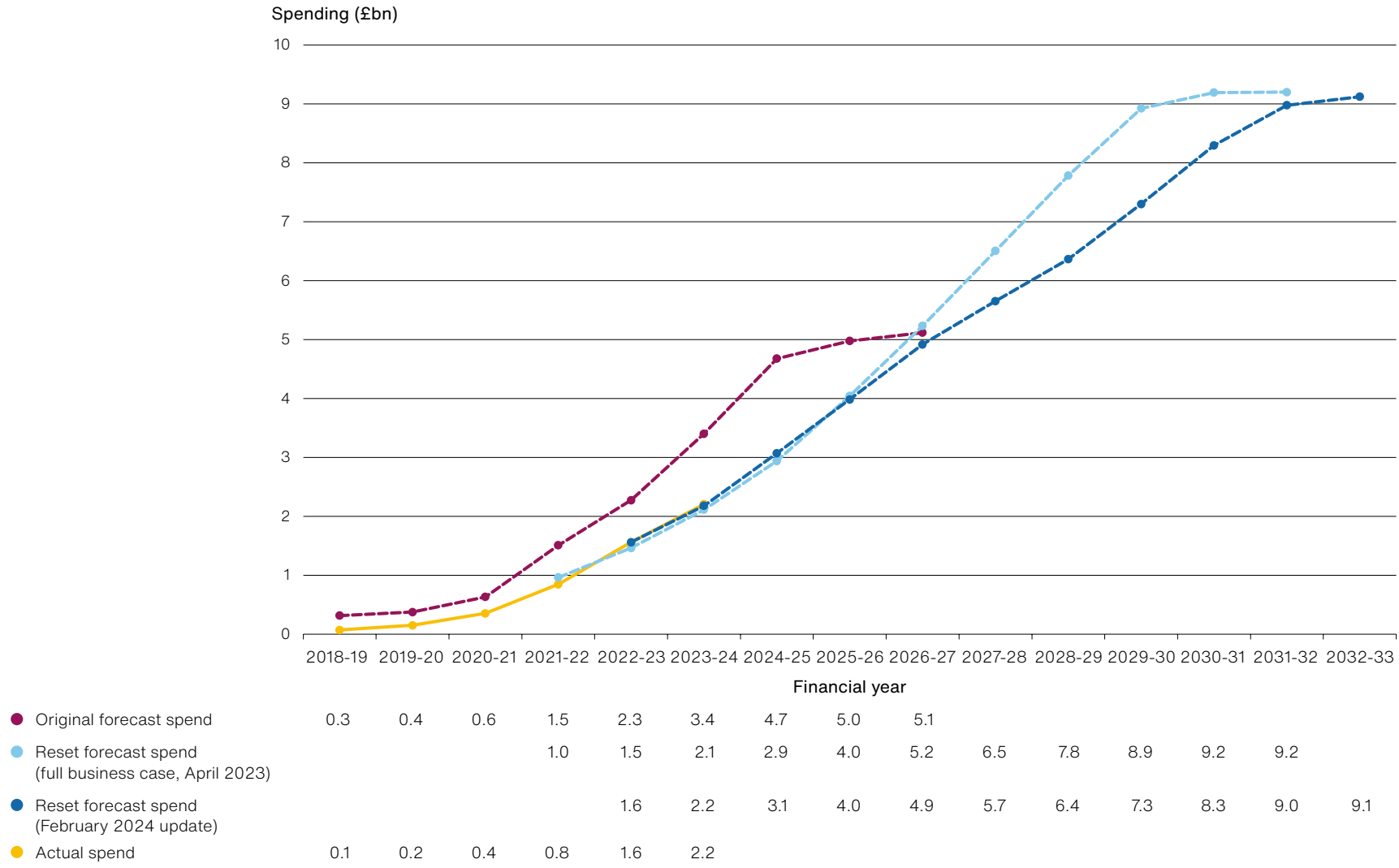
- 1 There is no MHCLG spend for the Social Housing Programme or for the Developer Remediation Programme as these are both monitoring programmes – unlike the Aluminium Composite Material programmes, Building Safety Fund and Cladding Safety Scheme, which are government funded.
- 2 Resource spend includes MHCLG and Homes England's staff costs for managing the programmes and the portfolio, along with delivery partner, consultancy and other running costs.
- 3 Numbers may not sum due to rounding.
- 4 The data for 2024-25 are year-to-date at August 2024.
- 5 The data are presented in cash terms.
- 6 We did not audit MHCLG's data.

Source: National Audit Office analysis of the Ministry of Housing, Communities & Local Government spend data 2018-19 to 2024-25

### Figure 9

The Ministry of Housing, Communities & Local Government's (MHCLG's) planned and actual spending on remediation projects since 2018-19

Total cumulative spending on remediation was behind initial expectations for the first six years of the programmes



**Figure 9** *continued*

The Ministry of Housing, Communities & Local Government's (MHCLG's) planned and actual spending on remediation projects since 2018-19

**Notes**

- 1 Figures are cumulative.
- 2 Figures do not include resource spend.
- 3 'Original forecast spend' shows the total of MHCLG's individual spending forecasts for the ACM, BSF and CSS pilot set out in each programme's business case.
- 4 'Actual spend' figures are the total of MHCLG's spend on the Aluminium Composite Material (ACM) programmes, Building Safety Fund (BSF) and Cladding Safety Scheme (CSS) programmes.
- 5 'Actual spend' data are presented in cash terms.
- 6 We did not audit MHCLG's spend data.

Source: National Audit Office analysis of the Ministry of Housing, Communities & Local Government's spend data

### Risks to achieving remediation by 2035

**2.16** A date of 2035 will be challenging to achieve. Based on its latest modelling, MHCLG estimates that remediation of buildings over 11 metres with unsafe cladding will complete by 2035. Remediation is not currently on course to achieve this. MHCLG acknowledges that, to get back on course, it must ensure lost ground is regained and completion rates increased in future years. In addition, MHCLG's model assumes that remediation for some medium-rise buildings may not start before 2034-35 and officials assume they will take a year to complete. While timescales vary considerably, our analysis shows that high-rise buildings have taken on average, around 400 days from starting on site to completion.<sup>31</sup> This suggests that some buildings started late in 2034-35 may not complete until 2036-37.

31 This analysis looks at over 200 buildings in the private sector ACM and BSF programmes.

**2.17** MHCLG acknowledges that, to get the portfolio back on course, it must find ways to bring buildings into the portfolio faster (see paragraph 2.9) and to increase pace. The most pressing risks to getting portfolio progress back on course include:

- delays associated with the new Building Safety Regulator (BSR). Changes made in October 2023 mean that remediation works on high-rise buildings cannot begin on site until building control approvals have been granted by the BSR. The BSR told us that many early applications for approval under these new arrangements are not of the quality they expect, and often require further work from applicants. MHCLG reported in July 2024 that this was impacting the number of starts on site forecast for the ACM, BSF and Social Housing programmes, while industry adjusts to the new regime for higher-risk buildings. It may also impact the Developer Remediation Programme and the CSS;
- for buildings where developers are paying for remediation works, protracted discussions between freeholders and developers over the scope of works can delay works. When the government adopted a more proportionate approach to remediation in January 2022 (paragraph 1.11), it created grounds for potential disagreement between stakeholders with different incentives about what constitutes proportionate remediation and tolerable risk. The new guidance relies on the judgement of assessors, but assessors may disagree about what work is necessary; and
- MHCLG is still working to understand the main barriers that social housing providers face to remediating their buildings at pace. Finances among social housing providers are strained, and the high threshold criteria for government funding of full remediation costs limit providers' access to remediation funding. Funding is only available to providers for the full cost of works where their financial viability is threatened by the cost of remediation works. Providers may be reluctant to apply to MHCLG for full remediation funding due to the perceived wider regulatory repercussions of declaring the levels of financial unviability required to qualify for funds. There may also be other factors affecting their viability and it may be difficult for providers to attribute it solely to remediation costs. The Regulator of Social Housing started to collect data about providers' progress with fire safety remediation in August 2023, and in November 2023 government announced that providers would be expected to provide data quarterly.

MHCLG acknowledges that it must help to avoid and resolve disputes between stakeholders and is seeking to minimise the impact of delays to building control approval while industry adjusts to the new regime for higher-risk buildings.



**2.18** MHCLG says it is not responsible for making buildings safe but is working with enforcers to increase pace. Building owners – as main decision-makers for their buildings – or developers where they are responsible, will normally dictate the pace of a building's remediation progress. Where building owners are stalling, regulators can impose a legal obligation on them to remediate through enforcement action. Local authorities, fire and rescue services and the BSR all have powers to compel a building owner to remediate their building.<sup>32</sup> The 2022 Building Safety Act also allows leaseholders to apply for a 'remediation order' to compel a building owner to remedy fire safety defects by a specified time. MHCLG is tracking local enforcement activity against over 160 buildings in its portfolio, although it is unable to evaluate the impact of this activity on progress. EOCS has highlighted early instances of freeholders failing to act on remediation orders. MHCLG has had some early success targeting freeholders through its own enforcement activity and is considering options for holding freeholders publicly accountable for progress.

#### Insurance and access to mortgage finance

**2.19** Responding to the significant financial consequences that have arisen for residents affected by dangerous cladding, one of MHCLG's priorities for the portfolio is to 'make buildings mortgageable and insurable'. MHCLG has taken measures to support this priority, including steps to improve transparency for leaseholders on their buildings and service charges; working with insurers on the affordability and accessibility of buildings insurance and professional indemnity insurance; and encouraging lenders not to assume that full removal of cladding is required in all cases. Following a recommendation from the Financial Conduct Authority (FCA), the Association of British Insurers established a common data code on collecting core risk information for multiple-occupancy buildings with fire safety issues. To increase the availability of insurance for buildings with combustible cladding and other fire safety issues, it also launched an industry risk-sharing facility in April 2024, which it expects to run for three to five years.

<sup>32</sup> The Building Safety Regulator's powers to compel building owners to remediate relate to buildings over 18 metres only.

**2.20** The impact of these measures has been mixed. While the affordability of buildings insurance remains a challenge, industry representatives told us that in the majority of cases people are able to insure properties with unsafe cladding. We saw limited evidence regarding the position on mortgages for buildings with unsafe cladding.

- In December 2022, the UK's six largest mortgage lenders confirmed that they would lend on properties needing cladding remediation. In July 2024, MHCLG reported that the gap in the proportion of mortgage applications accepted on buildings with and without unsafe cladding had narrowed between December 2023 and April 2024. MHCLG told us it does not hold data on how the affordability of these mortgages compare.
- Buildings insurance premiums remain high. A major challenge is that lower cost mitigations may not prevent fire damage. For example, in cases where combustible materials remain on the building, a fire could still result in significant damage to or total loss of the building. In such cases, while risk to life may be low, insurers may still pay out large amounts in the event of a fire. The Leaseholder and Freeholder Reform Act 2024, when regulations become enforceable, will ban insurance brokers from paying commissions to property managing agents and freeholders – after the FCA reported (see paragraph 1.6) that the practice had been driving up the cost of buildings insurance. In the interim, several insurance brokers have pledged to help reduce costs to residential leaseholders in buildings with fire safety issues.<sup>33</sup> MHCLG acknowledges that its current planned policy interventions in the insurance sector are not sufficient to secure the desired reduction on insurance premiums. Insurance industry representatives told us that to secure longer-term reductions on insurance premiums they would need remediation works to protect property as well as address life-safety risks.

33 Ministry of Housing, Communities & Local Government, *Guidance: Insurance Broker Pledge*, Updated February 2024.

## Other portfolio priorities

**2.21** In summer 2024, MHCLG was reporting on and developing performance metrics for all its portfolio priorities. Notable highlights not covered elsewhere include:

- **ensuring quality and delivering risk-based proportionate remediation:** MHCLG reported some concerns about the reliability of fire risk assessments, noting that although most BSF and CSS fire risk assessments had passed its audit checks, many fire risk appraisals of the external walls conducted by developers had not met the required standard; and
- **integrating residents' voice:** MHCLG said that it was not yet able to report on progress with its aim to 'integrate residents' voice' because it did not have means to collect the relevant data on the resident experience in programmes. Having introduced the code of practice for the remediation of residential buildings, MHCLG was looking to gain agreement on it from registered providers of social housing and doing further work to ensure compliance.

## Learning and applying lessons

**2.22** MHCLG has used lessons from past performance in efforts to speed up remediation for the BSF programme. MHCLG commissioned reviews of the BSF when it failed to deliver at the pace expected. MHCLG has since developed its approach to managing the BSF with measures including developing targets for how long key sections of the application should last, which allows it to identify projects that might be slipping earlier. It has also increased spending on technical support for applicants and has increased senior engagement and enforcement with projects where owners are unwilling to make progress.

**2.23** Homes England used lessons from early high-rise programmes in developing the CSS. MHCLG appointed Homes England to develop the CSS for medium-rise buildings. They expected the CSS to generate significantly higher numbers of applicants than the high-rise BSF, seeking a design that would have fewer, more standardised processes and fewer organisations involved in overlapping data management and decision making. Key design features of the CSS include:

- a single digital platform allowing tracking of a building's progress through the entire remediation lifecycle and the removal of the need for a dedicated case manager;
- high levels of system automation, including reporting of missed milestones to support case review and escalation; and
- changes to key processes including earlier signing of grant funding agreements to avoid unwilling applicants delaying contract signature once plans are in place, often causing cost increases.

**2.24** CSS running costs are lower than those for the ACM and BSF programmes, mainly due to its digital operating model compared with the earlier programmes' resource-intensive case manager model. Comparing the two programmes is difficult, because the CSS is still at an early stage, and the programmes cover different volumes of buildings, at different stages and with different challenges. However, in spring 2024, MHCLG submissions to the portfolio Strategy and Investment Board made the case for transferring buildings from the BSF into the CSS. These submissions suggested that expected costs to administer each building in the CSS were £14,600 per building, compared with £182,600 in the BSF. These submissions also reported early indications that the two CSS buildings on site at the time had progressed through the pre-on-site programme stages more than four months quicker than a sample of seven comparable BSF projects. MHCLG told us that subsequent analysis suggests that the difference is less but that CSS is still quicker. MHCLG has begun transferring buildings from the BSF to the CSS to see whether the new programme's more automated processes can speed up remediation for these high-rise buildings and improve value for money.

## Part Three

### Managing risks to the taxpayer

**3.1** This part of the report sets out how effectively the Ministry of Housing, Communities & Local Government (MHCLG) has sought to achieve value for taxpayers' money, its plans for keeping below the £5.1 billion cap on public contributions over the lifetime of the portfolio and how it is managing risks to the wider housing system.

#### Seeking to achieve value for money for the taxpayer

##### Early concerns about value for money

**3.2** MHCLG recognised early that taxpayer support for private sector remediation would not meet HM Treasury's value-for-money expectations as set out in *Managing public money*.<sup>34</sup> While clear that building owners were responsible for ensuring the safety of their buildings, MHCLG's early responses following the Grenfell Tower fire included:

- funding for social sector building owners from 2018-19 to support remediation of aluminium composite material (ACM) cladding, justified by the risk of remediation costs displacing other important maintenance work in a publicly regulated sector; and
- from 2019-20, funding for private building owners to support remediation of ACM cladding, who were unwilling or unable to proceed with remediation without passing costs on to private leaseholders.

MHCLG requested a ministerial direction for the private sector programme in 2019, stating that the transfer of taxpayer funds to benefit private individuals and companies could not be justified on value for money grounds.<sup>35</sup> MHCLG made a further request for a direction in 2020 when it expected the Building Safety Fund (BSF) would also support costs normally expected to be borne by the private sector and without the quantifiable benefits that would justify the spending. In both cases, Secretaries of State for Housing, Communities & Local Government authorised the spend due to the need for pace in making buildings safe.

<sup>34</sup> HM Treasury, *Managing Public Money*, May 2023.

<sup>35</sup> Where departmental accounting officers do not believe that policy proposals meet the value-for-money standards set out in HM Treasury's *Managing public money* guidance, they can ask the responsible minister for formal written permission to proceed through a 'ministerial direction'.

**3.3** MHCLG also recognised that providing taxpayer funding for private sector remediation would require extra safeguards. The full business case for its 2019 private sector ACM programme highlighted additional risks of funding the private sector, including complex ownership structures, a high risk of poor conduct and limited incentives to control costs. It planned additional assurance measures for the private sector programme compared to its earlier social sector grants, including:

- an expectation that applicants would go through competitive processes to award contracts, and appointment of contractors using industry-recognised legal agreements;
- extra review of technical aspects of applications, including benchmarking of proposed costs;
- enhanced completion and post-project audit processes; and
- payment of private sector applicants in arrears rather than using the 80% advance funding arrangements available to the social sector.

#### Revising taxpayer safeguards to incentivise pace

**3.4** MHCLG later amended some of its taxpayer funding protections to help speed up the remediation process. Despite the risks that MHCLG had acknowledged around private sector funding, it wanted its 2020 BSF to incentivise faster remediation. It therefore changed several funding processes used for private applicants on earlier programmes, including:

- increased self-certification of information by applicants – removing the need for detailed checks, to help applicants advance more swiftly through the funding approval process;
- up-front funding of up to 10% of total expected costs, to support early design and development work rather than payment in arrears for all costs; and
- a move from payment in arrears to up-front payment of between 30% and 80% depending on the type of construction contract in use.

MHCLG told us other protections remained in place. As at March 2024, MHCLG had agreed up-front funding of 80% of costs for nearly half of private applicants to the BSF, and 52% of applicants received 30% of costs up front. MHCLG also spread this practice to the private ACM programme, where 11% of applicants received 80% up-front funding. These changes exposed the taxpayer to an increased risk of poor value for money and potential losses through fraud.

**3.5** MHCLG set application deadlines to encourage rapid progress through the BSF, but this weakened taxpayer protection. MHCLG opened the BSF for registrations in early June 2020, requiring building owners to register by 31 July 2020 and start work on site by the end of March 2021. MHCLG later concluded that these deadlines incentivised bad procurement practice. As at May 2024, MHCLG data showed that 35% of private sector BSF applicants had used non-competitive arrangements to appoint contractors. MHCLG policy (which it clarified in 2023) set out that non-competitive arrangements could be used for reasons including the need to meet internal deadlines set by the BSF.

**3.6** Many remediation projects are costing more than the amounts MHCLG originally awarded, with additional funding requests common. Of the projects in the BSF that had completed by March 2024, MHCLG data shows that 56% had gone on to request additional funding, with 29% making at least two requests.<sup>36</sup> Additional funding for these projects represented a 14% increase in costs overall against a backdrop of widespread inflation in construction costs. MHCLG has started to conduct analysis on completed buildings in the BSF to understand indicative remediation costs per square metre of cladding. It intends to publish this unit cost data in autumn 2024 to inform building owners and their cost consultants about the range of prices they can expect when going out to tender works, thereby strengthening their negotiating position, and to increase transparency.

**3.7** There has been a potential fraud on the Building Safety Fund which reviewers have linked to the weakened taxpayer protections on the programme. In autumn 2023 MHCLG became aware of a suspected fraud involving the potential loss of over £500,000 paid to an applicant on the BSF using the 80% up-front funding model. An external review of the case, commissioned by MHCLG in January 2024, made observations on the processes and controls in place, including those MHCLG had amended to support pace, such as:

- the high reliance on self-certification of application information limiting MHCLG's ability to verify details; and
- the 80% advance payment structure increasing the opportunity and motivation for fraud.

The review also acknowledged the inherent risk of misrepresentation and collusion when providing funding "in an industry with known historical integrity issues." The review highlighted that there has not been a fraud measurement programme on the scheme and that levels of fraud detected are significantly lower than would be expected given its size and risk.

<sup>36</sup> The data we analysed on requests for additional funding did not include social sector applicants.

## Improving management of fraud risk

**3.8** MHCLG was slow to address fraud risks on the BSF. While MHCLG was developing the BSF in 2020, the Infrastructure and Projects Authority highlighted the need for a full fraud risk assessment of the programme. A 2021 review by the Cabinet Office Complex Grants Advice Panel of an early MHCLG assessment recommended a more complete, robust, independently assured process. MHCLG acknowledges that it did not produce a full risk assessment because of the speed with which the programme was set up. Counter-fraud capability on the BSF remained under-resourced until 2024. MHCLG assures us that it undertook some counter-fraud activity in the interim, but could not provide documented evidence of work undertaken. MHCLG completed an initial fraud risk assessment in January 2023, and the Public Sector Fraud Authority (PSFA) told MHCLG it should start work on a full fraud risk assessment immediately. MHCLG commissioned a full assessment from the Government Internal Audit Agency, which reported in June 2023.

**3.9** MHCLG has begun reviewing its counter-fraud structures and developing plans to improve fraud management. It commissioned an external review of its fraud management in early 2024, which concluded that controls were not commensurate with the programme's risk and highlighted the lack of proactive data-driven fraud detection processes. The review also found that levels of fraud detection were significantly less than expected for programmes of the BSF's nature, suggesting potentially high levels of undetected fraud. MHCLG has responded by rebuilding its counter-fraud team and developing a counter-fraud action plan. So far, MHCLG has not undertaken any measurement exercises to estimate the potential extent of undetected fraud and error. The BSF is one of the higher-risk programmes that the PSFA is monitoring.



**3.10** Homes England has reviewed the Cladding Safety Scheme (CSS) for fraud risk and considers it to be low. Homes England commissioned a fraud risk assessment from the PSFA in January 2024, six months into the operation of the CSS. Reviewers identified 14 high- or very high-risk fraud areas relating to third-party risks, including bid rigging by contractors and submission of false or ineligible invoices. Responding to the review, Homes England considered its controls adequate to reclassify all but two of PSFA's high-risk areas as lower risk. Key design features and controls supporting fraud risk management in the CSS include:

- automated cost benchmarking checks within the digital application management system, with anything above benchmark referred to an independent cost consultant for review;
- monthly payment in arrears; and
- the requirement for applicants to appoint an independent, qualified professional – either the project's quantity surveyor or project manager – as grant certifying officer to approve monthly payment claims before submission.

MHCLG cited the CSS's fraud controls as potentially beneficial for the BSF buildings it has transferred into the newer scheme (see paragraph 2.24). As at March 2024 the CSS had only paid out £28 million to remediation projects, so it will take time to demonstrate the longer-term effectiveness of its controls.

### **Capping total taxpayer contributions at £5.1 billion**

**3.11** MHCLG expects to spend a total of £9.1 billion on the remediation of buildings eligible for its funding programmes, but will cap taxpayer funding at £5.1 billion over their lifetime by raising contributions from other sources (paragraph 1.15).<sup>37</sup> MHCLG's current best estimate for total remediation costs is £16.6 billion, within a range of £12.6 billion to £22.4 billion (**Figure 10**).<sup>38</sup> It currently expects that £3.8 billion of this will be met by social housing providers remediating their own buildings, and £2.7 billion by developers remediating buildings through the Developer Remediation Programme. Where owners do not have the resources to remediate their buildings, they will continue to be eligible to apply for funding from MHCLG's BSF and CSS programmes. MHCLG expects to fund its £9.1 billion spending through:

- £5.1 billion public funding previously announced;
- £700 million recovered from developers within the Developer Remediation Programme relating to buildings they have accepted responsibility for, but which have already been remediated using taxpayer funds; and
- a Building Safety Levy charged on new residential developments, to raise any remaining funding required.<sup>39</sup> MHCLG currently anticipates the Levy raising around £3.4 billion over 12 years.

**3.12** MHCLG's current forecasts anticipate that in some years taxpayer funding will exceed that collected through the Building Safety Levy, due to the timing of receipts from the Levy. MHCLG's financial planning for the portfolio anticipates that the Levy will take time to bring in the expected income, with an early ramp-up phase before it is raising the levels of annual income required to keep within the £5.1 billion cap over the long term. MHCLG and HM Treasury have agreed arrangements to provide taxpayer funding in the short term to prevent the remediation portfolio going into deficit in some years, with the Levy recouping these amounts in later years. MHCLG currently forecasts taxpayer exposure to reach a maximum of £6.3 billion in 2031-32 (**Figure 11** on page 62).

<sup>37</sup> In line with MHCLG's range of estimates for total remediation costs, MHCLG currently expects that the costs falling to its own programmes will be between £6.5 billion and £13.4 billion with £9.1 billion as the central estimate.

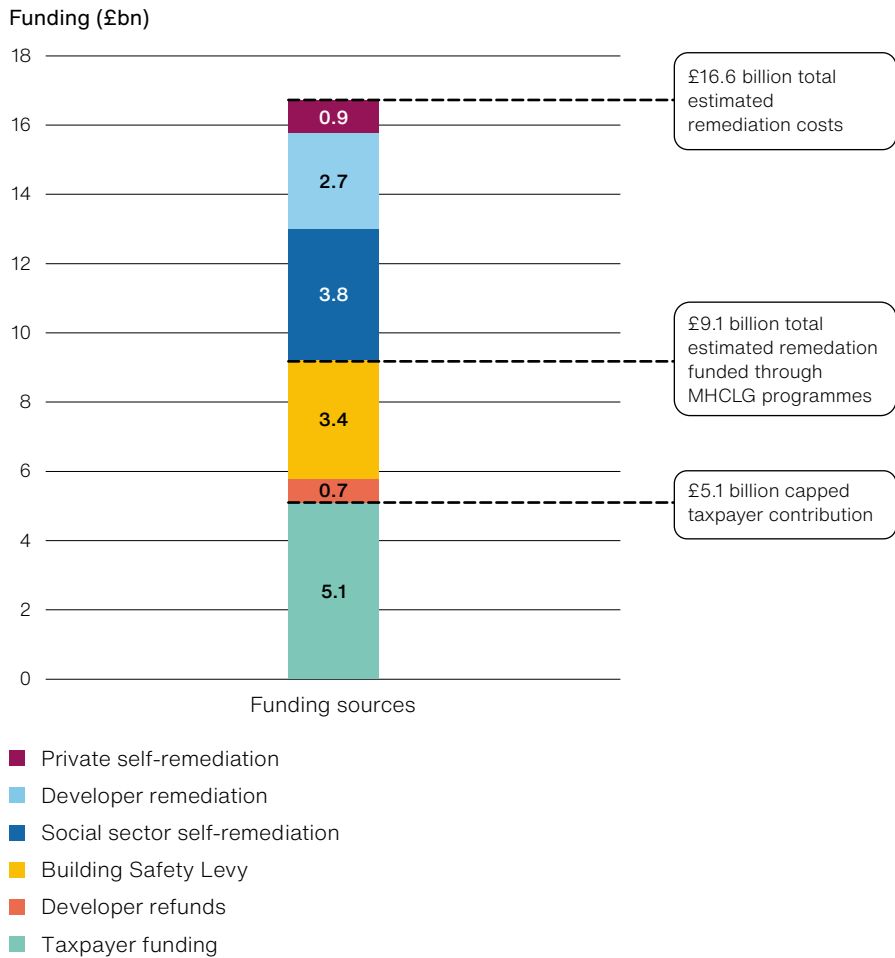
<sup>38</sup> Estimates for cost and number of buildings are based on modelling from February 2024. MHCLG intends to update its model and revise its estimates in autumn 2024.

<sup>39</sup> Operational details of the Building Safety Levy remain undecided and at the time of writing were under review by the new government. Options considered under the previous administration included variable rates based on local housing market conditions, lower rates for brownfield developments and exclusions for developments delivering wider social value such as affordable housing. Previous plans anticipated that local authorities would be responsible for collecting the Levy.

**Figure 10**

Expected sources of funding for remediation of dangerous cladding

The Ministry of Housing, Communities & Local Government (MHCLG) estimates total remediation costs of £16.6 billion, as at February 2024. It expects £9.1 billion to be spent through its own programmes and the remainder to be funded directly by owners and developers



**Notes**

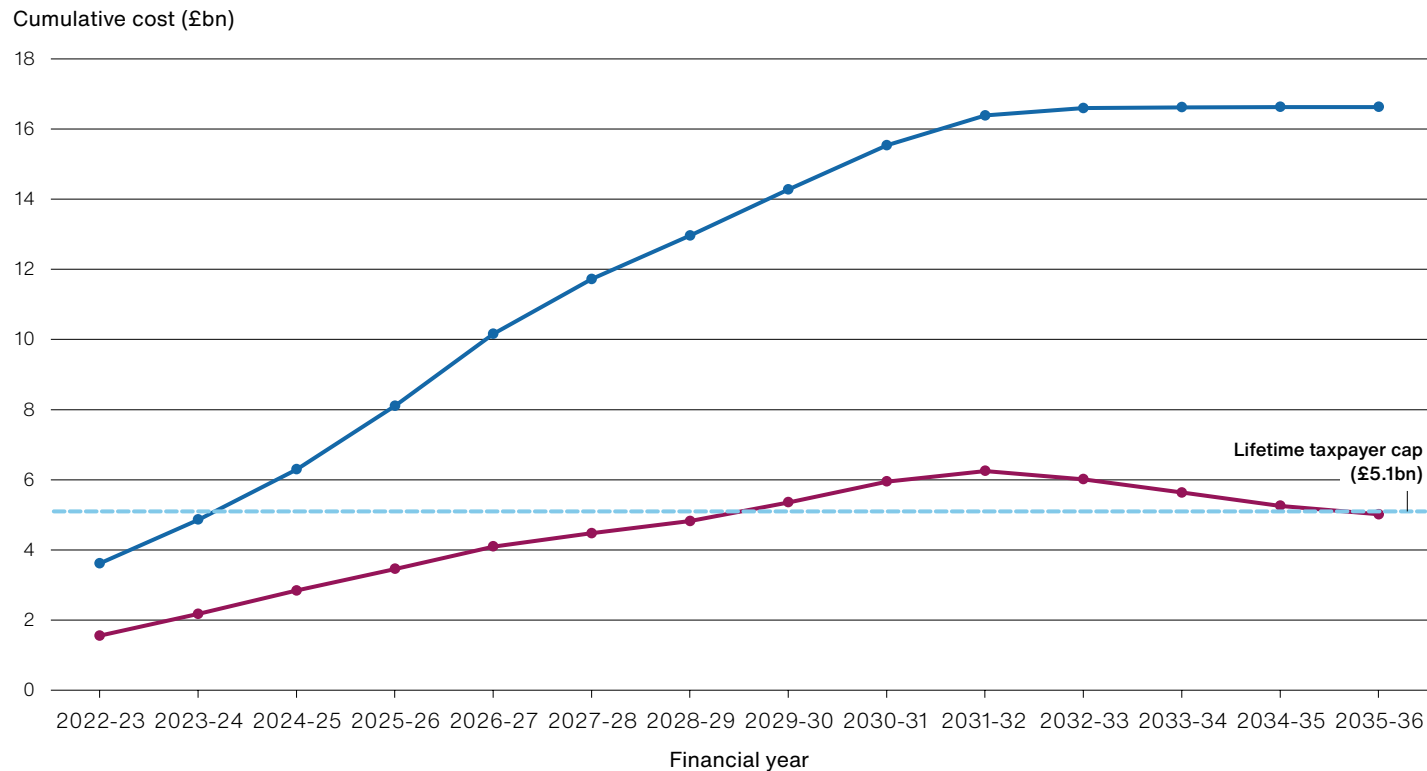
- 1 £16.6 billion represents MHCLG's current best estimate for total costs within a range of £12.6 billion to £22.4 billion. Its current best estimate for spend through its own remediation programmes is £9.1 billion within a range of £6.5 billion to £13.4 billion. MHCLG will adjust the Building Safety Levy to ensure the taxpayer contribution remains capped at £5.1 billion whatever the final cost. MHCLG currently expects the Building Safety Levy to bring in £3.4 billion over 12 years which, together with taxpayer contributions of £5.1 billion and £0.7 billion in developer refunds, means it will raise £9.2 billion to cover expected costs of £9.1 billion.
- 2 Numbers may not sum due to rounding.
- 3 MHCLG told us that the estimate for developer remediation costs differs from estimated figures in the building safety remediation monthly data release due to differences in the scope of defects covered, estimation methodology, and the date from which data are taken.
- 4 We did not audit MHCLG's modelling forecasts.
- 5 In some cases, government will pay for a building to be remediated but will be reimbursed later by the developer who is responsible for funding the work. This money is referred to as developer refunds.

Source: National Audit Office analysis of data provided by the Ministry of Housing, Communities & Local Government

### Figure 11

#### Forecast taxpayer exposure over the lifetime of the cladding remediation portfolio

The Ministry of Housing, Communities & Local Government (MHCLG) expects taxpayer funding of remediation to exceed the £5.1 billion lifetime cap before being reimbursed by 2035-36



● Taxpayer contribution	1.6	2.2	2.8	3.5	4.1	4.5	4.8	5.4	6.0	6.3	6.0	5.6	5.3	5.0
● Total forecast remediation cost	3.6	4.9	6.3	8.1	10.2	11.7	13.0	14.3	15.5	16.4	16.6	16.6	16.6	16.6

#### Notes

- 1 We did not audit MHCLG's modelling forecasts.
- 2 To remain within its £5.1 billion cap over the lifetime of the government's remediation programmes, MHCLG intends to recoup £700 million from developers refunding remediation costs for buildings for which they have accepted responsibility, but that government has paid for, with the remainder (currently forecast at £3.4 billion) to be provided through the new Building Safety Levy. MHCLG and HM Treasury have agreed arrangements to provide funding in the short term to prevent the portfolio going into deficit in some years before the Levy starts generating enough income.

Source: National Audit Office analysis of data provided by the Ministry of Housing, Communities & Local Government

**3.13** MHCLG will need to manage several uncertainties to deliver the remediation portfolio within the taxpayer funding cap. We highlighted earlier that the level of uncertainty around costs and the numbers of buildings requiring remediation was unusual at full business case stage (paragraph 1.20). While MHCLG believes it is more likely to have overestimated than underestimated remediation demand, its 2023 remediation business plan identified the option to extend the Levy beyond the ten years originally anticipated, to meet any shortfall. Risks that may nevertheless increase taxpayer exposure to remediation costs include:

- high levels of uncertainty around the number of 11- to 18-metre buildings that may require remediation through the CSS. HM Treasury asked for more clarity about the number of such buildings when approving MHCLG's 2023 portfolio business case;
- lack of certainty around what income the Levy will generate and when this will happen, due to delays to its launch and uncertainty around how housing market conditions might affect how much the Levy can raise and how quickly. MHCLG originally expected the Building Safety Levy to begin operation in April 2024, but it does not currently expect the Levy to start until autumn 2025 at the earliest; and
- the ability of social housing providers including local authorities to fund a currently estimated £3.8 billion of remediation costs from their own resources at a pace that is acceptable to residents.

HM Treasury remains engaged with the portfolio through attendance at MHCLG's Strategy and Investment Board meetings. It expects its key focus to be supporting and scrutinising MHCLG's development of estimates for the numbers of buildings requiring remediation and costs across the programmes.

### Managing wider risks to government housing objectives

**3.14** The government has many targets around housing – such as building new and affordable homes and decarbonisation of the housing sector – where potential conflicts and opportunities need to be identified and managed. There is a risk that the work that MHCLG is leading on fire safety operates at cross-purposes with other policy areas or that opportunities to achieve efficiencies by working more closely together are missed. MHCLG's approach to joining up remediation work with other government priorities has included:

- highlighting areas of potential cross-over with other government programmes through in its planning and business case processes. Green remediation was featured in its September 2021 business case update for the BSF, although we have not seen it considered in the same level of detail before or since. MHCLG highlighted the potential for alignment, but told us it considered the life-safety focus prioritised implementation over coordination with potentially slower programmes;
- using the impact assessment process to model the potential implications of the Building Safety Levy on the supply of new housing; and
- attending programme board meetings for relevant programmes run by other government departments including the Department for Energy Security and Net Zero's Home Upgrade Grant and Local Authority Delivery Schemes and its Social Housing Decarbonisation Fund.<sup>40</sup>

MHCLG also told us that its officials worked closely with colleagues across government to ensure its mechanisms for driving developer responsibility did not undermine the retrofitting activity it was pursuing to support the government's decarbonisation activity. We did not see evidence of how successful this activity has been in creating efficiencies or avoiding conflicts.

**3.15** The Regulator of Social Housing told us that new expectations for the sector (for example around fire safety, decarbonisation and tackling damp and mould) contributed to a more difficult operating environment and may lead to trade-offs. There is a risk that providers divert funding from other priorities into building safety work. In December 2023, the Regulator of Social Housing reported that social housing provider business plans projected 17% fewer social rent units (40,000 homes) being developed in the five years from 2023, compared to projections from the previous year. The report cited financial constraints and increased borrowing costs as drivers of anticipated reductions.

<sup>40</sup> This fund was withdrawn in September 2024 and replaced by the Warm Homes: Social Housing Fund.

**3.16** In its submission to MHCLG's 2024 consultation on the Building Safety Levy, the Home Builders Federation (HBF) referenced analysis it had commissioned that examined the impact of government remediation measures on housebuilding. It estimated that the Levy, alongside other changes in the policy environment, would reduce the affordable housing supply by 70,000 homes over the next decade. There was no reference to the impact on the wider housing supply. The HBF has expressed further concern that the Levy might divert funds from other developer contributions – including the Community Infrastructure Levy and Section 106 payments intended to support local services, infrastructure and affordable housing around new developments. The HBF also highlighted likely Levy rates meant that the greatest deterrence to development would be in the south-east of England.

# Appendix One

## Our audit approach

### Our scope

- 1** The report contains our independent conclusions on whether the Ministry of Housing, Communities & Local Government's (MHCLG's) cladding remediation portfolio is completing timely remediation of unsafe buildings at reasonable cost to the taxpayer. We reached these conclusions following our analysis of evidence collected mainly between March and July 2024.
- 2** The evaluative criteria that we used to assess value for money include whether: MHCLG has designed its cladding remediation portfolio to maximise the identification of buildings threatened by unsafe cladding; the portfolio is progressing in line with MHCLG's expectations; and MHCLG is adequately managing taxpayer's exposure to remediation costs across the lifetime of the portfolio.
- 3** This report follows up some of the elements in our June 2020 report *Investigation into remediating dangerous cladding on high-rise buildings*. As with our previous report we focus on cladding remediation in England, not across the UK, however the remediation work of a small number of buildings in Northern Ireland is being delivered through the Cladding Safety Scheme (CSS). This report does not comment in detail on wider building safety reforms, non-cladding related building safety issues or the Grenfell Tower site.

### Our evidence base

- 4** In forming our conclusions, we drew on a variety of evidence sources as described in the paragraphs below. We collated and analysed the evidence using our evaluative criteria as a framework. We looked across different sources of evidence to support each of our findings.



## Interviews

### **Interviews with MHCLG officials**

**5** We conducted 17 interviews online with groups of MHCLG officials. We selected these officials because they were involved in, and were therefore able to provide insights about, MHCLG's design and management of the portfolio, data and analysis including approach to modelling, approach to funding, and enforcement activity.

### **Interviews with other government departments and delivery partners**

**6** We interviewed officials in the following other government departments and delivery bodies and partners:

- Homes England (HE): we conducted four online interviews with officials from within HE to explore the design and management of the Cladding Safety Scheme (CSS) and understand its role as delivery partner for the Aluminium Composite Material (ACM) and Building Safety Fund (BSF) programmes;
- Greater London Authority (GLA): we conducted two online interviews with officials in the GLA to understand its role as delivery partner for the ACM and BSF programmes; and
- HM Treasury: we conducted an online interview with officials from the spending team within HM Treasury, to understand its view on the financial risk to the taxpayer and cashflow arrangements.

## Teach-in

**7** In February and March 2024, we received a series of teach-ins from officials within MHCLG and HE to develop our understanding of the remediation portfolio and to inform our document review and interview areas.

## Document review

**8** We reviewed a range of published and unpublished departmental documents. We used this information to understand: the design, set-up and delivery of the programmes and portfolio; governance arrangements; portfolio management; remediation progress; and financial profiles.

**9** The type of documents we reviewed include:

- business cases;
- internal board packs;
- programme guidance and application information;
- documents summarising MHCLG's modelling outputs and analyses; and
- external programme reviews.

## Data analysis

### **Data on progress of the remediation portfolio and the five programmes**

**10** A key data source used in this report is MHCLG's *Monthly Building Safety Remediation: Monthly Data Release*, which is publicly available. In this dataset MHCLG reports on the remediation progress in the ACM, BSF, CSS, developer remediation and social housing remediation programmes. The data includes how many buildings are being remediated in each scheme and for how many buildings remediation has started, not started or been completed. Additional data are available varying by programme; for example, data showing remediation progress by developer and social housing provider.

**11** The data available in this publication have changed over time since its first release in December 2017. Initially the publication reported on just the social sector ACM programme, and since April 2023 also the BSF. From October 2023 to the present MHCLG has included portfolio-level data showing building numbers and their status across all five programmes combined. The number of buildings reported in each programme does not sum to the total presented at the portfolio level, due to some buildings being presented in more than one programme. For example, some buildings containing both ACM and BSF cladding are included in both programmes' statistics.

**12** We analyse the data in MHCLG's monthly remediation data release to understand changes in the number of buildings identified and in the number of starts and completions for each programme. We draw on the combined data to present the portfolio view of progress. We use data from MHCLG's August monthly remediation data release for the latest view on progress.

### **Other data sources**

**13** We use management information for the ACM private, ACM social and BSF programmes to analyse project cost escalations, tendering processes, and length of time remediation projects take on site. We also analyse capital and resource annual spending data for all government-funded programmes to consider against MHCLG's expected spending profiles. We reviewed outputs from MHCLG's remediation model, which they produced in February 2024, to understand projected cost profiles, start on site profiles and estimates of the number of buildings requiring cladding remediation work. MHCLG intends to refresh its model every six months, and at the time of our audit expected to refresh its model in autumn 2024.

## Local authority case studies

**14** We selected local authorities for interview through a purposive sampling method. The purpose of this sample was to obtain perspectives on cladding remediation from a range of local authorities involved in the schemes. The sample is not intended to be statistically representative, but was designed to capture the range and diversity of local authorities against the following criteria:

- whether the local authority is in London;
- the number of buildings in the local authority identified with ACM cladding systems;
- the proportion of buildings where remediation has yet to be started;
- the proportion of buildings where remediation has been completed; and
- the level of deprivation within the local authority.

**15** Our initial sample population was the 'ACM remediation progress by local authority, England' dataset published by MHCLG as part of the *Building Safety Remediation* monthly data release. This population includes all local authorities with at least one building affected by ACM cladding, and with 10 or more high-rise residential buildings in total. We used this population to ensure consistency with MHCLG's approach, and to ensure our sample focuses on those local authorities most likely to have active engagement with the scheme. We also verified that this population did not exclude any local authorities with significant involvement in the Building Safety Fund programme, with no issues noted.

**16** Local authorities were divided into cohorts that provided the desired coverage of the above criteria, and randomly selected within these cohorts. The sample was then considered as a whole, to confirm secondary criteria were sufficiently covered, and alternative sample items considered to improve coverage. On the basis of these criteria, we contacted six local authorities to ask them to participate in our study, with three responding (Reading Borough Council, Leeds City Council, and Camden Council). These local authorities were interviewed either online or through a site visit, with each discussion covering the following topics:

- the process of identifying buildings with potentially dangerous cladding;
- experience of working with MHCLG;
- remediation progress of buildings in their area;
- information sharing procedures; and
- enforcement activity and views on the local authority's role collecting the Building Safety Levy.

## Stakeholder consultation

**17** We spoke to – and in some cases received written material from – selected stakeholder bodies. We invited each body to provide their views about government's response to the cladding crisis. Questions were tailored to the expertise of each body. We engaged with the following stakeholders:

- Infrastructure and Projects Authority;
- Local Government Association;
- Home Builders Federation;
- Association of British Insurers;
- Inside Housing;
- National Housing Federation;
- Building Safety Regulator;
- Regulator of Social Housing; and
- End Our Cladding Scandal.

## Site visit

**18** In May we visited a building undergoing cladding remediation work. We were given a tour by the site manager, accompanied by officials from the delivery partner. The purpose of this visit was to experience the remediation process on the ground, understand its impact on residents and develop our understanding of the complexities of carrying out remediation work, including the potential causes of delay.





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