



Building Safety Fund Briefing Document for Leaseholders

Background

Following the tragic events at Grenfell Tower, fire and building safety has become one of the most pressing issues facing leaseholders and the residential property sector. Investigations carried out following the tragedy have revealed numerous buildings have been constructed, using Aluminium Composite Material (ACM) and other unsafe cladding. As a result, hundreds of buildings have been categorised as being unsafe. It's inevitable that many more will fall into the same category as safety assessments continue.

The safety of leaseholders is our primary concern. Leaseholders should not have to make sure appropriate standards of construction are met, which have resulted in many buildings being deemed unsafe. The work needs to be completed quickly, but with a greater understanding of the fact the resources to carry out the work are extremely limited.

The impact on leaseholders

People are unable to sell or remortgage their leasehold homes if they have significant external wall system issues, which also includes not having their wall systems checked to see if they are safe. And the scale of the issue means it will take some time to replace unsafe cladding, leaving them trapped in their properties for the foreseeable future, which is taking its toll both financially and emotionally.

Limited contractors are available, and with an average on-site time of one year, it could be several years before work is carried out.

Furthermore, the speed of approval of Building Safety Fund (BSF) has caused delays to funds being released and works starting. From the announcement of the BSF in the Budget in March 2020, and an original application deadline of 31st December 2020, the Government announced in mid-December 2020 an extended deadline of 30th June 2021 for fund applications. In our opinion, they are all impossible deadlines.

Financial assistance

In March 2020, the Government created a £1.6billion Building Safety Fund to help leaseholders and housing associations pay for the removal and replacement of unsafe ACM cladding on their high-rise buildings. In February 2021, it announced an additional £3.5billion in grants for the private sector.



Only Responsible Entities (building owners, freeholders and resident-controlled management companies) can apply for this funding which, at present, only applies to buildings 18 metres tall and above, as they are deemed to be higher risk. The funding is being allocated on a first come, first served basis and only covers external wall remediation work.

Meanwhile, a recent survey of ARMA and IRPM members has revealed that despite the Building Safety Fund, leaseholders are still going to be required to pay, in some cases, impossible sums for other fire safety-related issues within their blocks. Associated safety concerns and additional issues that must be resolved as part of the cladding remediation work, such as fire doors, balconies and compartmentation aren't currently covered by the fund.

The BSF for the remediation of non-ACM cladding covers many, but not all of the costs associated with making these buildings safe in line with the latest standards. To ensure remediation can be started ahead of the 30th September 2021 deadline (as required by the Fund) managing agents are left with no option, but to issue additional service charge demands to leaseholders on many of these remediation projects. This is necessary to cover the non-funded aspects of the work. This could include a variety of works, such as removing and replacing balcony decking, correcting defective window and door frames or additional fire stopping, and as required by the Government contract, a contingency to cover other possible cost overruns.

Reserve funds shortfall

Large building maintenance projects are usually funded (where the lease allows) by reserve or sinking funds. However, reserve funds are unlikely to be enough because of the sheer scale of the sums involved and the fact other interim costs over the last three years, such as 'waking watches' may have already drained these funds, although a limited pot of funding was made available in March 2021 for this. The long-term consequences of using reserve funds also means leaseholders will face bills for lift and roof repairs in the future, as funds originally collected for these works will have already been spent on fire safety issues.

The role and responsibilities of managing agents

Managing agents do not own the residential buildings they manage. Technically, they are short-term contractors with no financial interest in the land or buildings they manage. They are responsible, through a contract with the building owner or freeholder, to carry out the duties described in the lease, such as maintaining the buildings, shared residential amenities and communal areas. In order to be able to carry out these duties, they raise a levy from each apartment owner (service charges).



What's being done to help leaseholders

An extraordinary amount of time and effort has so far been put into helping achieve the right outcomes for leaseholders, which includes writing open letters to Government, engaging with leaseholder cladding action groups on a fortnightly basis and completing All-Party Parliamentary Group (APPG) surveys.

Never before has the property management industry worked more closely together or fought so passionately to ensure the safety of leaseholders. As part of the on-going campaign:

1. ARMA and IRPM have raised the issues with the Prime Minister's Special Adviser and the Ministry of Housing, the Minister for Building Safety and Communities, the Ministry of Housing, Communities and Local Government (MHCLG), and are working closely with local MPs. They are also working closely with a steering group of larger managing agents to share best practice and identify key issues and concerns.
2. ARMA and IRPM are leading a cross-industry working group, the Cladding and Building Safety Campaign Group, which is currently calling for the Government to:
 - **Expand** the Building Safety Fund to cover the costs of all necessary work, including structural issues and internal compartmentation and fire breaks – this is in-line with the Select Committee recommendation of a Comprehensive Building Safety Fund;
 - **Extend** the scope of the Building Safety Fund to buildings below 18 metres and make sure the cladding repair, and associated costs, are paid by those directly responsible;
 - **Introduce** a risk matrix that prioritises funding based on the risk to life;
 - **Create** a Fire Safety Delivery Group chaired by MHCLG.
3. The ARMA Building Safety Group was established in 2017, in the wake of the Grenfell Tower tragedy, and meets regularly with MHCLG to discuss the BSF and strive to ensure the process moves as swiftly as possible and to raise potential issues.
4. Both organisations are in discussions/engaging with housebuilders and developers in relation to them setting aside funding for building safety remediation work.
5. Both organisations meet with 'End Our Cladding Scandal' (EOCS) cladding action groups and were involved with sending a letter to the Chancellor that helped secure an additional £3.5 billion in BSF funding in February 2021.



6. Both organisations are proactively uncovering and exposing the extent of the problems for all parties. They are also raising awareness of the issues in the media and other channels. Below are some recent examples of media coverage:

<https://www.bbc.co.uk/news/business-57314681>

<https://www.mirror.co.uk/news/uk-news/owners-flats-dangerous-cladding-face-23891090>

https://www.youtube.com/watch?v=587JjmzSJ_M&t=4s

<https://arma.org.uk/news/2020/02/industry-calls-for-government-action-on-cladding>

<https://www.britsafe.org/publications/safety-management-magazine/safety-management-magazine/2021/the-cladding-crisis-is-far-from-over/>

<https://propertyindustryeye.com/arma-welcomes-clg-committees-feedback-on-the-draft-building-safety-bill/>

7. Where possible, property management companies are arranging EWS1 forms on behalf of leaseholders. Having a favourable EWS1 rating in place means leaseholders can unlock their ability to re-mortgage, sell and access reduced insurance premiums. Many mortgage lenders now ask for confirmation the entire external wall system of a building complies with the latest Government standards.

Who is ARMA?

[The Association of Residential Managing Agents \(ARMA\)](#) is the leading trade association for companies that manage private residential leasehold blocks of flats in England and Wales. ARMA promotes high standards of leasehold management by providing advice, training and guidance to its members.

Who is the IRPM?

[The Institute of Residential Property Management \(IRPM\)](#) is the professional body for residential property management specialists and provides nationally accredited qualifications, guidance on career pathways and resources, to help property managers within their roles. IRPM is dedicated to supporting, building and setting the standards of the profession.

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