

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2346

Title: Social Sector ACM Cladding Remediation Fund

Executive Summary:

On 16 May 2018 the Government committed £400m nationally to remove and replace aluminium composite material (ACM) cladding from residential tower blocks over 18m owned by councils and housing associations. The GLA will administer this fund for eligible buildings in London, as set out by the Government in its funding guidance. This decision seeks approval of expenditure of up to £275m during 2018/19 to 2021/22 as the anticipated share of the national fund for relevant buildings in London. Expenditure by the GLA will be reimbursed by the Ministry for Housing, Communities and Local Government (MHCLG) on a quarterly basis and therefore there is no net cost to the GLA.

Decision:

That the Mayor approves:

1. Expenditure of up to £275m during 2018/19 to 2021/22 as grant funding to eligible councils and housing associations to fund the removal and replacement of aluminium composite material (ACM) cladding from residential tower blocks over 18m; and
2. Receipt of quarterly reimbursement by MHCLG of all grant funding awarded during each quarter (such that there is no net cost to the GLA).

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

5/9/18

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 The cladding on the external walls of Grenfell Tower has been identified as one of the significant contributing factors in the rapid fire spread during the tragedy on 14 June 2017. The Government undertook a testing programme to identify other high-rise buildings with aluminium composite material (ACM) cladding systems. Following identification of this cladding, building owners were expected to notify the Ministry of Housing, Communities and Local Government (MHCLG), put interim fire safety measures in place and begin the process of remediation.
- 1.2 Social housing providers in London undertook their assessments of blocks at risk and consequential remedial works as a matter of urgency. They reported that the cost of remediation would impact on their new build programmes and/or planned repairs and maintenance. Following rising concerns about the impact this would have on councils and housing associations' ability to build or maintain stock, the Government recently announced on 16 May 2018 that it would fully fund the removal and replacement of unsafe ACM cladding which had failed testing and required remediation for buildings owned by a local authority or housing association. Based on the estimated costs submitted by social landlords, it set aside £400m nationally to meet this commitment.
- 1.3 This funding will be administered by the GLA in London, while Homes England will perform this role for areas outside of London. The eligibility criteria for this fund has been set by the Government in its funding guidance: <https://www.gov.uk/government/publications/social-sector-acm-cladding-remediation-fund-application-guidance>.

2. Objectives and expected outcomes

- 2.1 The primary objective of this funding programme is to ensure the swift removal of dangerous ACM cladding from high-rise social housing. This project will ensure that remedial works in the social sector are fully funded by the Government, thereby reducing the impact on the new build programme in London and landlords' programmes of repairs and maintenance.

3. Equality comments

- 3.1 The funding programme will have a positive impact for all residents of affected social sector buildings. For the small number of buildings where remediation had not already started nor a final decision taken regarding leaseholders, the funding will expedite remediation and ensure that costs are not passed onto leaseholders. It will have an indirect positive impact for other tenants and leaseholders by ensuring costs do not have a negative impact on repairs and maintenance across a landlord's entire stock. Those who are older, disabled, pregnant or with children, or from an ethnic minority are more likely to occupy social housing. The positive impact this project will bring for social housing residents therefore will have a positive impact on groups with these protected characteristics.
- 3.2 Finally, it will also have a positive impact for all Londoners by ensuring that the costs of cladding remediation in the social sector does not negatively impact on new housing development. This will be particularly of benefit to Londoners living in housing need. Given that housing need is more common for groups with some protected characteristics, particularly low income, older, disabled, ethnic minorities and women with children, this project will have a positive equalities impact.

4. Other considerations

Risks

- 4.1 Demand outstripping supply in the cladding industry could result in cost inflation for cladding removal. This poses a risk if the £400m commitment cannot be increased. The risk is unlikely to materialise because the Government has made a public commitment to fully covering the costs of remediation.
- 4.2 Stage two payments for the programme may not be completed within the indicative timeframe indicated (2021/22). Supply chain issues may delay the works being carried out or legal action to recover costs from third parties may take longer than envisaged.
- 4.3 There is a risk to GLA cashflow if there are delays in receiving reimbursements from MHCLG. This risk is mitigated by a commitment secured from MHCLG that reimbursements will be made on a quarterly basis.

Links to Mayoral strategies and priorities

- 4.4 In his London Housing Strategy, the Mayor welcomes the commitment to fully fund the removal and replacement of dangerous cladding. The Strategy sets out the high priority given to ensuring high-rise residential buildings are safe.
- 4.5 The Mayor has called for a ban on the use of combustible materials on the external walls of high-rise residential buildings. His response to the Hackitt review has stressed the need to consider how changes to building regulations can apply to existing buildings to ensure residents are safe in their homes.

5. Financial comments

- 5.1 This decision is seeking approval for the GLA to receive up to £275m Cladding Remediation Fund from MHCLG as the anticipated share of the national £400m fund for relevant buildings in London. The fund is expected to be received during 2018-22, and will be paid to councils and housing associations to fund the removal and replacement of ACM cladding from residential buildings over 18m owned by social landlords. The Funding contract will be signed between the GLA and the building owner and will be used to finance only capital expenditure.
- 5.2 Grant payments will be made in two stages: i) 80% paid when works begin on site ii) 20% paid following stage two application to confirm final costs and legal action. The GLA will claim the payments back from MHCLG on a quarterly basis.
- 5.3 Cost for programme management will be met by H&L from existing resources.

6. Legal comments

- 6.1 The GLA is empowered to receive funding from MHCLG and provide grant funding to eligible councils and housing associations in London to fund the removal and replacement of ACM cladding from residential tower blocks under sections 30(1) and 34 of the Greater London Authority Act 1999 (the GLA Act), provided the Mayor considers that doing this will further one or more the GLA's principal purposes of: promoting economic and social development in Greater London, and improving the environment in Greater London. It is open to the Mayor to take the view that the provision of funding to improve the safety of high-rise social housing in London promotes social development and/or improves the environment.

- 6.2 In determining whether or how to exercise the power conferred by section 30(1) of the GLA Act, the Mayor must:
- (i) have regard to the effect that these decisions will have on the health of persons in Greater London, health inequalities between persons living in Greater London, the achievement of sustainable development in the United Kingdom and climate change and its consequences (sections 30(3-5) of the GLA Act) and
 - (ii) pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act).
- 6.3 In this respect the Mayor should have regard to section 3 above.
- 6.4 In addition to the above, where the Mayor is proposing to use the power conferred in section 30(1) of the GLA Act, the Mayor must consider consulting in accordance with section 32 of the GLA Act.
- 6.5 Officers have indicated that this project amounts to the provision of grant funding and not payment for services. Officers must ensure that:
- (a) no reliance is placed upon the MHCLG funding until a legally binding commitment is secured from MHCLG in this regard and the GLA is able to comply fully with any conditions applicable to the provision of such funding;
 - (b) the funding is distributed fairly, transparently in accordance with the GLA's equalities duties and in a manner which affords value for money in accordance with the GLA's Contracts and Funding Code; and
 - (c) appropriate funding agreements are put in place between and executed by the GLA and eligible councils and housing associations before any commitment to fund.
- 6.6 In taking the decisions requested, the Mayor must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.

7. Planned delivery approach and next steps

- 7.1 The GLA will assess whether applications meet the nationally prescribed eligibility criteria and make recommendations to the Government. The Government will give final approval for all funding applications. Once approved, the GLA will enter into a grant agreement with the landlord and release funds as per the process set out by the Government in the funding guidance. Between approval and final payment, the GLA will provide quarterly monitoring reports to the Government, setting out high level progress on remediation of each eligible building. The relationship and processes for this project are governed by an MOU between the Government and the GLA.
- 7.2 It should be noted that in many cases the GLA will be administering the payment for works already completed or commissioned as most social housing providers in London have undertaken their assessments of blocks at risk and consequential remedial works as a matter of urgency. There is therefore unlikely to be a significant managerial burden associated with this programme of payments, or any scope for the GLA to arrange strategic co-ordination to prioritise works on a pan-London basis.

Activity	Timeline
Fund opens for stage one applications	17 July 2018
Initial deadline for stage one applications	31 Aug 2018
Stage one applications appraised	End September 2018
Indicative end of programme	March 2022

Appendices and supporting papers:

None

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Megan Life has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

David Lunts has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

James Murray has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the 3 September 2018.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

[Handwritten signature]
Tom Middleton on behalf of Martin Clarke

Date

03.09.18

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

[Handwritten signature]

Date

3/9/2018.