

Barratt signs an industry pledge to address necessary fire-safety issues on all buildings of 11 metres and above

3 years ago



Barratt has signed an industry pledge⁽¹⁾ to address necessary fire-safety issues on all buildings of 11 metres and above.

It further commits to withdraw buildings from, and/or reimburse, the Building Safety Fund and ACM Funds. This reflects four years of constructive engagement with Government and other stakeholders to address this complex issue. The incremental cost of remediating buildings or funding remediation where Barratt is taking responsibility for doing so is in a range of £350m to £400m.

These are positive steps which align to our belief that leaseholders should not have to pay for necessary remediation works caused by the design, construction or refurbishment of buildings

Since the Grenfell Tower *tragedy* in 2017, building safety, and in particular cladding and external wall systems on multi-storey and multi-occupancy buildings, has come under scrutiny and investigation. Government policy has evolved and been updated frequently in the intervening period while surveyors, lenders and insurers have also made changes to their policies and procedures for dealing with multi-storey, multi-occupancy buildings against this uncertain and changing backdrop. Investigations by freeholders and developers of buildings added further complexity and uncertainty. Regrettably, leaseholders have been, and continue to be, adversely impacted; often facing significant charges for remediation, interim safety measures and increased insurance premiums.

All of Barratt's buildings, including the cladding and external wall systems used, were signed off by approved inspectors as compliant with the relevant Building Regulations in place when they were built.

Barratt believes that leaseholders should not have to pay for necessary remediation to fix building safety issues caused in the design, construction or refurbishment of their buildings. Since the Grenfell tragedy, it has been working closely with the Government and other stakeholders to address this complex issue for the benefit of leaseholders.

Barratt welcomes the action taken by the Department for Levelling Up, Housing and Communities (“DLUHC”) in recent months to introduce proportionality to the building safety environment. It also welcomes DLUHC’s further commitment to continue with their work and to set out a fair approach to remediation including a robust and independent arbitration process to provide clarity for all parties where there are areas of uncertainty.

With that commitment to proportionality shown by Government in recent months Barratt confirms that in line with its belief that leaseholders should not have to pay for remediation, it has signed the industry pledge⁽¹⁾ and is committed to the principles that it will:

- take responsibility for undertaking or funding remediation and/or mitigation works to address critical fire-safety issues on all buildings of 11 metres and above that Barratt has developed or refurbished over the last thirty years (“Our Buildings”); and
- to the extent not already withdrawn and/or reimbursed, withdraw Barratt Buildings from, and/or reimburse, the Building Safety Fund and ACM Funds.

These commitments remain subject to agreeing with DLUHC the necessary legal documentation in respect of the principles set out above, and over the coming weeks Barratt will therefore work with Government and officials at DLUHC to agree as quickly as possible legally binding, full form documentation in order to give effect to the above principles of both self-remediation, mitigation and withdrawal from the relevant Funds.

Costs associated with our new commitments

This is a complex area requiring judgements with respect to both the individual remediation requirements of each building and the costs associated with that remediation. Following a review of buildings above 11 metres developed by Barratt over the last 30 years in England, Scotland and Wales, the incremental cost of remediating buildings where Barratt is committing to take responsibility for doing so, or funding reimbursement of costs incurred, is expected to be £350m to £400m ⁽²⁾.

Commenting on today’s commitments, David Thomas, Chief Executive said: “We have always been clear that we do not believe leaseholders should pay for remediation of their homes and are committed to helping affected leaseholders living in the buildings we developed. Through constructive engagement between industry and Government, a proportionate and sensible approach has been found and we look forward to completing the remediation process as quickly as possible.

“As well as committing to remediating buildings we were responsible for developing, we will be paying around £400 million over the next ten years through the Residential Property Developer Tax to help fund remediation of buildings built or refurbished by other organisations. As Government continues to work through policy developments in this area, it is vital that it considers the burden of this taxation on UK housebuilders and how it might impact the ongoing construction of homes that the UK needs.”

Notes:

⁽¹⁾ The number of developments and buildings under the EWS, ACM and associated reviews include our JV commitments.

⁽²⁾ This includes 43 developments equating to 85 buildings that we have now agreed to take back from the Building Safety Fund.

The timing of cash outflows in relation to the expected charge of £350m to £400m will reflect:

- Initial reimbursement of costs incurred by the Building Safety Fund and Private Sector ACM Cladding Remediation Fund, which are estimated at £35m, are likely to be settled in the current financial year ending 30 June 2022; and
- The current and future availability of remediation resources including fire safety expertise, solution design and the delivery of the remedial build solutions. As a result, this remediation programme is expected to be delivered within 3 to 5 years, with building safety considerations paramount in the prioritisation and scheduling of works.

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