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|---|---|
| Title: Fire Safety Bill 2020 IA No: HO0365 RPC Reference No: N/A Lead department or agency: The Home Office Other departments or agencies: N/A | Impact Assessment (IA) |
| | Date: 12 March 2020 |
| | Stage: FINAL |
| | Source of intervention: Domestic |
| | Type of measure: Primary Legislation |
| | Contact for enquiries: |

Summary: Intervention and Options

RPC Opinion: Not Applicable

| Cost of Preferred (or more likely) Option (in 2019 prices) | | | |
|--|----------------------------|-------------------------------|-------------------------------|
| Total Net Present Social Value | Business Net Present Value | Net cost to business per year | Business Impact Target Status |
| -£55.8m | -£49.9m | £5.0m | Non qualifying provision |

What is the problem under consideration? Why is government intervention necessary?

Those responsible for complying with the provisions of the Regulatory Reform (Fire Safety) Order 2005 (FSO) differ in their interpretation of its application to individual flat entrance doors and external walls (including cladding, balconies and windows) in multi-occupied residential buildings. The Government needs legislation to remove that ambiguity, expressly bring these parts of the building within scope of the FSO and thereby reducing the risk of a disaster like the Grenfell Tower tragedy happening again.

What are the policy objectives and the intended effects?

The FSO places duties on Responsible Persons (RPs) and Duty Holders (DHs). The clarification in law will ensure that, under the FSO, RPs and DHs will need to take external walls (including cladding, balconies and windows) and individual flat entrance doors into account in the fire risk assessment and as a result take any additional fire precautions as may be reasonably required. For enforcement authorities, the clarification will affirm their ability to take enforcement action where they assess that the RP or DH has failed to comply with the duties in the FSO.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1: (Do-nothing) Do not clarify the FSO. This does not achieve the Government's objectives.

Option 2: Clarify the premises – including parts of premises – to which the FSO applies and therefore, the legal duties of those with responsibilities under it. **This is the Government's preferred option.**

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 10/2025

| | | | | |
|---|-----------------------|---------------------|---------------------------|---------------------|
| Does implementation go beyond minimum EU requirements? | N/A | | | |
| Is this measure likely to impact on trade and investment? | No | | | |
| Are any of these organisations in scope? | Micro Yes | Small Yes | Medium Yes | Large Yes |
| What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent) | Traded: N/A | | Non-traded: N/A | |

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: _____ Date: March 2020

Summary: Analysis & Evidence

Policy Option 2

Description: Fire Safety Bill 2020.

FULL ECONOMIC ASSESSMENT

| Price Base Year 2019 | PV Base Year 2019 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
|-------------------------|----------------------|-------------------------|---------------------------------------|--------|----------------|
| | | | Low: | High: | Best Estimate: |
| | | | -11.5 | -191.9 | -55.8 |

| COSTS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---------------|--------------------------------------|-------|---|-------------------------------|
| Low | 0.5 | 1 | 1.3 | 11.5 |
| High | 4.7 | | 22.1 | 191.9 |
| Best Estimate | 1.4 | | 6.5 | 55.8 |

Description and scale of key monetised costs by 'main affected groups'

Familiarisation costs, in year 1 only, to RPs and DHs under the clarification in law to the FSO is estimated to be £1.4 million and for the Fire and Rescue Authorities (FRA) is £0.0 million (2019 prices). The main estimated costs over 10 years (present value) for RPs to take into account the additional elements in their fire risk assessments lie in a range of £11.0 to £164.2 million and for the FRA (using the FRS) to audit these additional elements, in a range of £0.0 to £22.2 million. The central estimates for these ongoing costs are £48.5 million and £5.9 million respectively.

Other key non-monetised costs by 'main affected groups'

Whilst the RP is required to consider if any additional 'general fire precautions' as may reasonably be required under the FSO, that does not necessarily result in cladding removal in every case where it is present. The FSO is complementary (but distinct) to, and not intended to remedy non-compliance with building regulation standards and with the Housing Act 2004 (and the Housing Health and Safety Rating System). Non-compliance is not costed here nor are any.

| BENEFITS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---------------|--------------------------------------|-------|---|----------------------------------|
| Low | 0.0 | 1 | 0.0 | 0.0 |
| High | 0.0 | | 0.0 | 0.0 |
| Best Estimate | 0.0 | | 0.0 | 0.0 |

Description and scale of key monetised benefits by 'main affected groups'

No benefits have been monetised but breakeven analysis indicates, the policy would pay for itself if 28 lives were to be saved (high cost scenario = 96) over 10 years. To put this in perspective, in 2018/19 alone, there were 251 fire-related fatalities and 7,163 non-fatal casualties from fires.

Other key non-monetised benefits by 'main affected groups'

The main benefit is to improve identification and management of fire safety risks in multi-occupied multi-storey buildings (or other premises in scope) and record these in a fire risk assessment. MHCLG's Building Safety Bill and this policy may contribute to avoiding a similar disaster to the Grenfell Tower tragedy. MHCLG estimate the economic cost of a single such incident to be £0.8 to £1.1 billion, once in a 10 to 30-year period (not in the NPV).

| | | |
|---|----------------------|-----|
| Key assumptions/sensitivities/risks | Discount rate | 3.5 |
| The most sensitive assumptions are the volume of buildings affected and the number of RPs. There is considerable uncertainty around the volume of buildings with cladding. To mitigate these risks a range of estimates with expert evidence from the sector has been used. | | |

BUSINESS ASSESSMENT (Option 1)

| | | | | | |
|--|-----|-----------|-----|--|-----|
| Direct impact on business (Equivalent Annual) £m: | | | | Score for Business Impact Target (qualifying provisions only) £m: | |
| Costs: | 5.0 | Benefits: | 0.0 | Net: | 5.0 |
| N/A | | | | | |

Evidence Base (for summary sheets)

A. Strategic Overview

A.1 Background

The FSO places duties on Responsible Persons and Duty Holders¹, to assess the fire safety risks of parts used in common for premises in scope (including multi-occupied residential buildings) and put in place suitable general fire precautions. This is a continuous assessment process, where the RP needs to keep emerging fire risks under review.

On 29 October 2019, the Grenfell Tower Inquiry's Phase 1 report was published and included a number of recommendations to enshrine in law new responsibilities on "building owners and managers". A number of these relate to the external wall of multi-occupied residential buildings and fire doors, including those that are individual flat entrance doors. These recommendations were accepted in principle by the Government and a Fire Safety Bill (FSB) was announced in the Queen's Speech.

The FSB will not change the duties placed upon RPs and DHs but it will clarify their application (principally in the carrying out of fire risk assessments) to certain parts of the premises. The clarification in the FSB will put beyond doubt that RPs (primarily owners or managers²) or DHs of multi-occupied residential premises of any height must assess the fire safety risks posed by the external walls of the building (including cladding, balconies and windows) and individual flat entrance doors. This means that RPs and DHs must identify and mitigate against any risk, particularly where there is the potential for external fire spread, by taking the necessary precautionary measures to keep their residents and other relevant persons (that is, those lawfully on the premises) safe. By removing ambiguity over the scope of the FSO, it will affirm that FRAs can confidently use their enforcement powers to hold RPs and DHs to account, supplementing the local authority enforcement route. It will also provide a firm foundation for implementation of the relevant legislative recommendations of the Grenfell Tower Public Inquiry Phase 1 Report.

It will ensure all fire and rescue authorities and RPs and DHs interpret the FSO in this way. The Bill will also complement the Independent Expert Advisory Panel's (appointed by MHCLG) consolidated advice note published on 20 January 2020 that set out expectations for building owners³. The Bill will mandate the need to assess all fire safety risks and consider whether any additional precautions – taking into account the totality of the fire risk in the building and fire safety precautions already in place – are reasonably required to ensure the building is safe for residents, including potential risks of external fire spread.

A.2 Groups Affected

The proposed duty would affect the following groups:

- **Fire and rescue authorities:** as the leading enforcement authority for non-domestic premises under the FSO, this clarification in law is relevant to inform their operational decisions in relation to enforcement activity under the FSO.
- **Local authorities:** The Housing Act 2004 already provides powers to local authorities (LAs) to take enforcement action against building owners or managers of multi-occupied residential buildings with regards to any risks posed by the external structure of the walls or individual flat entrance doors. Local authorities and FRAs will need to work collaboratively to determine whether the Housing Act 2004 or the FSO should be used when taking enforcement action.

¹ Responsible Persons are defined in Article 3 of The Regulatory Reform (Fire Safety) Order i.e. to be the person in control of a premises in connection with a trade or business or the owner who has control of a premises but not in connection with a business, trade or other undertaking.

² While RPs and DHs are primarily building owners and managers, there are a variety of arrangements in place to identify and manage fire risks (including agents, leaseholders, trusts etc).

³ Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings, 20 January 2020:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/869532/Building_safety_advice_for_building_owners_including_fire_doors_January_2020.pdf

- **Responsible persons and Duty Holders:** the FSO will require RPs and DHs for multi-occupied residential buildings to ensure that they have assessed the fire safety risks posed by the building's structure and external walls (including cladding, balconies and windows) and the individual flat entrance doors.
- **Residents:** to ensure that any fire safety risks are identified and assessed for individual flat entrance doors, cooperation between the DHs (which could include residents) and RPs, and between RPs, is required. Depending on the agreement between the leaseholder and freeholder, or obligations in other relevant contracts or tenancy agreement, the resident may be responsible for putting in place any measures to mitigate risks posed by individual flat entrance doors.

A.3 Consultation

Within government

The Home Office have consulted with several government departments as part of the development of the Fire Safety Bill, including:

- Ministry of Defence (MoD).
- Ministry of Housing, Communities and Local Government (MHCLG).
- Ministry of Justice (MoJ).
- Department of Health and Social Care (DHSC).
- Department for Education (DfE).
- Health and Safety Executive (HSE).
- Department for Business, Energy and Industrial Strategy (BEIS).
- The Welsh Government.

Public Consultation

There is no intention to engage in a public consultation at this time. However, the scope of the consultation was extended to include the National Fire Chief's Council (NFCC) as well as individual Fire and Rescue Services (FRSs)

B. Rationale for intervention.

The problem is that, there is ambiguity as to whether the external walls or individual flat entrance doors for multi-occupied residential building falls within the scope of the FSO. Such ambiguity means that RPs and DHs (and potentially FRAs) can take differing views on the extent of their obligations under the Order. This ambiguity needs to be resolved and government legislation is required to clarify the FSO, expressly bring these parts of the building within scope of the FSO.

The FSO covers non-domestic premises as it was designed as legislation for workplaces. It is a self-regulatory piece of legislation and expressly places duties on a RP or DH to assess the fire safety risks for the premises they are responsible for and put in place suitable fire precautions. This is a continuous assessment process, where emerging fire risks need to be kept under review.

The FSO is flexible enough to encompass any and all non-domestic premises for example, the same requirements apply to small newsagents as to large hospitals, but in a proportionate approach, therefore the fire risk assessment for a small newsagent is likely to be less detailed than that for a large hospital. For multi-occupied residential buildings, the FSO covers the parts used in common, for example, stairwells, lift shafts and corridors. This is because the parts used in common are not excluded from the definition of premises in article 6 and also considered to be workplaces and therefore it ensures fire safety is considered for those who work or pass through these areas.

It is currently ambiguous whether the scope of the FSO extends to cover external walls (including cladding, balconies and windows) and individual flat entrance doors for multi-occupied residential buildings. Previous advice from government on the matter has been that, it is up to individual enforcing authorities (notably FRAs) to interpret the FSO and act accordingly, and it is ultimately a matter for the courts to decide. This ambiguity has meant that not all RPs or DHs are considering the fire safety risks of the external walls or individual flat entrance doors.

Although the Housing Act 2004 does not provide an express duty on building owners or managers to identify certain hazards for the buildings they are responsible for (including cladding), the legislation does impose a duty on LAs to take appropriate enforcement action if they consider that unsafe cladding or individual flat entrance doors in multi-occupied residential buildings are a 'category 1' hazard as assessed by the Housing Health and Safety Rating System (HHSRS). As such, using the Housing Act was appropriate to ensure enforcement action could be taken to remediate multi-occupied residential buildings with unsafe ACM cladding where category 1 hazards existed after the Grenfell Tower tragedy. Greater legal certainty is needed for the FRA's to confidently enforce against unsafe cladding or non-compliant individual flat entrance doors in multi-occupied residential buildings, giving an alternative route to enforcement.

The Government therefore wants to clarify that RPs and DHs must assess fire safety risks of external walls (including cladding, balconies and windows) and individual flat entrance doors for multi-occupied residential buildings. This will help to reduce the risk of a disaster like the Grenfell Tower tragedy happening again and ensure that residents feel safe in their homes. These changes will also affirm that FRAs have the relevant enforcement powers to hold building owners or managers to account and will complement the existing powers Local Authorities have under the Housing Act 2004.

This Bill creates no new duties or offences. The coverage will be England and Wales but the analysis (see Appraisal section) only covers England because it has not been possible to incorporate Welsh data into these estimates at this time. Any future analysis should incorporate Welsh data and include an assessment of impacts in Wales.

C. Policy objective

The policy objective is to ensure that:

- RPs (including building owners/managers) and DHs understand that they are responsible for assessing the risks of external walls and individual flat entrance fire doors under the FSO.
- Residents in these properties can feel reassured that government has learnt lessons from the Grenfell Tower tragedy and has taken the appropriate steps to ensure their safety.
- These legislative changes complement the existing powers local authorities have under the Housing Act (2004) to take enforcement action against building owners and managers (RPs) on unsafe cladding and defective individual flat entrance doors.
- The FRAs can undertake public safety and enforcement action in respect of external walls and individual flat entrance doors in multi-occupied residential buildings.
- The swift implementation of the relevant Grenfell Tower Inquiry Recommendations through changes to the FSO relating to inspection and information sharing.

None of the changes to the FSO or the policy objectives above, will detract from any of the existing provisions of the FSO, that is, it will still apply to workplaces

D. Description of options considered.

Option 1 is to make no changes and maintain the current position (the "do-nothing" option). This would involve no legislative clarifications and would mean that individual flat entrance doors and external walls would not be explicitly covered by the regulatory regime of the FSO and be captured

under the scope of the FSO. This approach will fail to deliver the commitment, within the Queen’s Speech, to introduce the Fire Safety Bill and implement the recommendations made in the Grenfell Inquiry Phase 1 report. It does not meet the Government’s objectives.

Option 2 is to legislate. This would mandate the requirement for RPs to include external walls and all individual flat entrance fire doors as part of their fire risk assessment. This will also require FRS inspecting officers to consider each of these areas as part of the risk-based audit programme and to take enforcement action where it is necessary. These changes will be underpinned by guidance to building owners and relevant enforcement authorities issued by government. This is **the Government’s preferred option** as it will carry out the recommendations made by the Grenfell Inquiry Phase 1 Report and the announcement of the Bill during the Queen’s Speech.

E. Appraisal.

The following sections present the analysis on additional costs and benefits of the preferred options compared to the do-nothing option. The direct, indirect and wider costs and benefits are considered.

General assumptions and data

The appraisal period for measuring the impacts of the proposed clarification to the scope of the FSO is 10 years, with an annual social discount rate of 3.5 per cent used. An 18 per cent⁴ uplift has been applied to hourly wage costs in order to capture non-wage labour costs, based on Eurostat (2018) labour cost split. Other data have been collected primarily from the Annual Survey of Household Earnings⁵ (ASHE 2019). Estimates are in 2019 prices (Price Base Year, PBY and Present Value Base Year, PVBV).

The clarification in law of the FSO will apply to all multi-occupied residential buildings in both the private and social sector. The volume of buildings was difficult to assess because prior to the Grenfell tragedy, there was no comprehensive published statistics that directly enumerated the volume of multi-storey multi-occupied residential buildings by height. Therefore, the Home Office conducted research using AddressBase© and the results and main findings were published by the Home Office in 2019⁶. The volume of buildings used in the IA and the low, central and high scenarios were based on the the numbers presented in the research which were broken down by the following categories: 0-11m, 11-18m, 18-30m and 30m+. Table 1 presents these data and there are slight differences due to rounding and uncertainty around the low-high estimates.

Table 1, Volume of buildings by height, England, 2019.

| Stock Volume of Apartments/Flats | Low | Central | High |
|----------------------------------|-----------|-----------|-----------|
| 0-11m | 1,101,000 | 1,596,000 | 2,091,000 |
| 11-18m | 78,000 | 87,000 | 95,000 |
| 18-30m | 8,000 | 9,000 | 10,000 |
| 30m+ | 2,200 | 2,400 | 2,600 |
| Total | 1,189,200 | 1,694,400 | 2,198,600 |

Source: Home Office Detailed analysis of fires attended by fire and rescue services; Annex: Rates of fires, fire-related fatalities and casualties requiring hospital treatment in different building types, England, April 2018 to March 2019, AddressBase© September 2019, London and Home Office own calculations.

The number of private landlords – as a proxy for the number of RPs in the private sector - is taken from the 2018 MHCLG English Private Landlord Survey (with 8,000 landlords surveyed), where there was an estimated 1.5 million landlords taking deposits. However due to uncertainty and non-deposit landlords in the private sector the range is extended to between 1.25 to 1.75 million.

⁴ https://ec.europa.eu/eurostat/statistics-explained/index.php/Wages_and_labour_costs#Labour_costs

⁵ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashetable14>

⁶ Detailed analysis of fires attended by fire and rescue services, England, April 2018 to March 2019, Annex: Rates of fires, fire-related fatalities and casualties requiring hospital treatment in different building types, Table 1, September 2019.

Because of multiple property holding and non-multi-storey multi-occupied residential building rental, these volumes are multiplied by 70, 75 and 80 per cent respectively to avoid double counting. The working volume of private landlords in the estimates are (in millions): low = 0.875, central = 1.125 and high = 1.4.

The number of social landlords is taken from the Current registered providers of social housing, Regulator of Social Housing, February 2020⁷, and is given as 1,623. The social housing sector is a very concentrated sector (LAs, charities and trusts etc.) and each registered social landlord may have a number of RPs to look after the multiple properties in their ownership. There is no definitive data on this so an assumption of two, five and ten RPs per social landlord is taken to check the potential familiarisation costs to this group, estimated using the volume of buildings. Using rounded figures, the estimate of RPs in social landlord properties is given as: low = 3,300, central = 8,100 and high = 16,300.

Private and social landlords are added together to check the estimate of familiarisation cost.

The volume of audits conducted in England over the period 2016/17 to 2018/19 was taken from Home Office Fire Statistics, Table 1204, FS1. These are presented in Table 2. The volume of interest is all multi-occupied residential buildings, see Table 2 – the first seven rows and the total for these. For multi-occupied residential buildings in 2017/18, the figure following Grenfell is an increase of about 75 per cent, however, for the same period audits of all other types of buildings decreased by about 100 per cent, and the overall change for 2017/18 on 2016/17 was -8.9 per cent. It should be noted that total audits (of all buildings covered by the FSO) across the three years have been declining.

The low, central and high scenarios are assigned a rounded volume to assist with estimated cost of future audits by the FRA (conducted on their behalf by the FRS). It can be seen that about 6,500 audits were carried out in 2018/19 and that is the central expectation going forward. The low scenario assumes that because audits will take longer, the number of audits fall but the resources used by the FRA are re-balanced to match audit numbers across the whole inspection programme. For the high scenario, there is an expectation that the sector and residents become more risk averse and there is a greater demand for audits.

For the scenarios, the change between the 6,500 (central estimate) to the high volume (9,000) in is an increase of about 38 per cent, about half of the increase seen in the published statistics for 2017/18 on 2016/17.

Table 2, FRS Audits, England, 2016/17 to 2018/19.

| Property Type Audit | Volumes | | | Change | | Percentage change | |
|--|---------------|---------------|---------------|---------------|---------------|-------------------|--------------|
| | 2016/17 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| Houses in multiple occupation (HMO) | 1,140 | 1,483 | 1,541 | 343 | 58 | 30.1 | 3.9 |
| Purpose built flats 1-3 storeys | - | - | 496 | - | - | - | - |
| Purpose built flats 4-5 storeys | - | - | 518 | - | - | - | - |
| Purpose built flats 6-9 storeys | - | - | 129 | - | - | - | - |
| Purpose built flats >=10 storeys | - | - | 154 | - | - | - | - |
| Purpose built flats >= 4 storeys | 3,097 | 6,586 | 2,811 | 3,489 | -3,775 | 112.7 | -57.3 |
| Houses converted to flats | 945 | 975 | 860 | 30 | -115 | 3.2 | -11.8 |
| Total multi-occupied multi-storey residential | 5,182 | 9,044 | 6,509 | 3,862 | -2,535 | 74.5 | -28.0 |
| Total Audits | 54,247 | 49,423 | 49,327 | -4,824 | -96 | -8.9 | -0.2 |

Source: Home Office Fire Statistics, Table 1204, FS1, October 2019.

Note: The split of purpose built flats by storey (1-3, 4-5, 5-9 and >=10) were not asked for prior to 2018/19 and show as blank (-). For 2016/17 and 2017/18, Purpose built flats 1-3 storeys are included in 'Other sleeping accommodation' and are therefore not shown in this table. The 4-5, 6-9 and 10+ categories are shown in >= 4 storeys. Where FRSs could not provide the data for the split categories in 2018/19 their data are included in the >= 4 storeys category.

The buildings here are all apportioned to heights in the analysis and that may over-estimate the cost because some HMOs may be single storey but there is no data to further inform this point. Therefore, for simplicity, all HMOs are included in the analysis.

⁷ Current registered providers of social housing, Regulator of Social Housing, February 2020. See: <https://www.gov.uk/government/publications/current-registered-providers-of-social-housing>

COSTS

Direct Costs

Familiarisation Costs

a) RPs and DHs

It is expected that there will be a private-and public sector familiarisation cost of reading the short three clause Fire Safety Bill/Act (and any guidance), with a single clause providing the clarification, in year 1 only. The reading tables from readingsoft.com were used to estimate these costs where allowances are made for different reading speeds and different comprehension rates (taking into account no reading impediment, dyslexia and where English is not the first language).

The guidance is expected to have about 250 words per page and is likely to be between, three, five and seven pages long (L, C and H), with each page containing about 250 words. The time taken to read this is estimated to be in a range of one minute (L), four minutes (C) and 11 minutes (H). The wage for RPs is taken as that for a Building Manager (Annual Survey of Hours and Earnings (ASHE) 2019, Table 14.5a) This was uplifted by the Eurostat share of non-wage labour costs for the UK (18%) to give the gross hourly wage. The maximum wage (£23.07) and maximum time taken to read (11 mins) was taken because the volume and number of properties are varied. The cost was estimated as:

volume of buildings x time taken to read the guidance x gross hourly wage of a Building Manager.

Familiarisation costs to business are estimated by using the total volume of buildings (see Table 1) in a low, central and high scenario. There is likely to be multiple property holding by landlords and a variety of ways in which the buildings are managed, with respect to fire safety arrangements, plus RPs and DHs may cover a number of different buildings. To account for the maximum cost here the total volume of buildings is used (however, it should be noted that, familiarisation with the guidance is a person centred activity). In the low scenario, it is assumed a person is accountable for 10 buildings, in the central five buildings and in the high scenario it is two. Therefore, the low volume cost is divided by ten, the central volume cost by five and the high volume cost by two to give the familiarisation cost.

The estimated familiarisation costs to RPs and DHs in 2019 prices in year 1 only, lie in a range of £0.5 million to £ 4.6 million with a central estimate of £1.4 million.

The volume for familiarisation was checked using the number of RPs (L= 875,000, C= 1,125,000 and H= 1,400,000) who will be need to understand the clarification set out in the FSO. The estimated number of RPs in the social landlord sector is given as L = 3,300, C = 8,100 and H = 16,300 – see General assumptions and data. The wage lies in a range of £18.87 (L), £20.97 (C) and £23.06 (H). The time taken to read this is estimated to be in a range of one minute (L), four minutes (C) and 11 minutes (H).

This familiarisation cost for all RPs and DHs lies in a range of £0.5 to £4.6 million, with a central estimate of approximately £1.4 million (all 2019 prices), in year 1 only.

Given the uncertainty around both the volume of buildings and the number of RPs, then the comparison of costs by different methods indicates a good degree of agreement between them.

b) FRA (public sector)

There is also an expectation that there will be a familiarisation cost to the FRA. The same method was used for the FRA as that for RPs (note: it is Fire and Rescue Service (FRS) staff that are used here but the FRA holds the budget for the FRS, therefore the cost falls to them).

The volumes of FRS audit and operational staff, Watch Managers (3,635) and Station Managers (1,223)⁸ were taken from the Home Office Fire Statistics Table 1102, October 2019. However, not all FRS staff at these grades may be required to read the guidance. Therefore, the high scenario assumes that all staff in these grades read the guidance (4,860), the central scenario assumes that

⁸ Note: in the estimates these estimates are rounded to the nearest 10.

75 per cent of these staff (3,640) read it and the low scenario assumes that 66 per cent of these staff (3,210) read the guidance. Within these volumes, it is assumed that all FRS audit staff that are competent to undertake Fire Safety Audits, read the guidance. The time taken to read is in a range of one minute (L), four minutes (C) and 11 minutes (H).. The gross hourly wage of a Watch Manager (B) lies in a range of £31.94 (L), £34.35 (C) and £36.77. For a Station Manager the respective figures are: £43.87, £46.75 and £49.63.

the number of FRS staff x time taken to read the guidance x gross hourly wage of these staff

The **FRA familiarisation cost** is estimated to be in a range of **£3,500 to £43,300**, with a **central estimate of £14,900** (2019 prices), in year 1 only.

Total

Familiarisation only occurs in year 1 and in the years 2 to 10 there are no familiarisation costs. This is because there is no need to re-read after year 1. **Total familiarisation costs** are estimated to lie in the range of **£0.5 million to £4.7 million**, with a **central estimate of £1.4 million** (2019 prices) in year 1 only.

Ongoing costs

Business costs

1. Assessment of the external walls (including cladding, balconies and windows) by RPs

Where the external walls do not have cladding or balconies, the additional assessment work involved will be low to negligible and therefore not included in the estimate.

Where there is cladding, the RP is expected under the clarification of the law of the FSO to make an assessment of the external walls. The assessment was estimated as:

volume of buildings with cladding x time taken (hrs) x wage (£/hr)

There are several ways that a RP can assess the external walls (this could include cladding, balconies and windows). The RP could do this themselves (they may be a competent person to do so, or very little has changed since a qualified Fire Risk Assessor or Fire Engineer has conducted a full assessment), they can engage the services of a Fire Risk Assessor to conduct the assessment and in the most complex and very tall buildings with cladding, a Fire Engineer may be used. The analysis attempts to use sector opinion as to the balance of resources used. The assumptions around the balance of resources and the wages of a Building Manager, Fire Risk Assessor and a Fire Engineer are presented in Table 3.

Table 3, Balance of personnel used to assess external wall cladding (%) and gross wage (£/hr), (low, central and high scenario), England, 2019.

| Buildings Height | Building Manager | | | Fire Risk Assessor | | | Fire Engineer | | |
|--------------------------|------------------|-------|-------|--------------------|-------|-------|---------------|--------|--------|
| | L | C | H | L | C | H | L | C | H |
| 0-11m | 100 | 75 | 66 | 0 | 25 | 33 | 0 | 0 | 0 |
| 11-18m | 33 | 25 | 10 | 66 | 75 | 80 | 0 | 0 | 10 |
| 18-29m | 0 | 0 | 0 | 50 | 33 | 20 | 50 | 66 | 80 |
| 30m+ | 0 | 0 | 100 | 0 | 0 | 100 | 0 | 0 | 100 |
| Gross wage (£/hr) | 18.87 | 20.97 | 23.07 | 26.77 | 33.39 | 40.00 | 59.00 | 101.14 | 151.71 |

Source: Fire sector, NFCC, consultants and Home Office own estimates, 2020. Wages from the Annual Survey of Hours and Earnings (2019), Table 14.5a and the Fire Sector market rates.

The volume of buildings, see Table 1, was multiplied by the proportion of buildings⁹ that have cladding (see Table 3) to give the number of buildings with cladding. This volume was then multiplied by the time taken to inspect the cladding (L = 30 mins, C = 60 mins and H = 120 mins).

Table 4, Proportion of buildings with cladding by height (%), England, 2019.

| Buildings with cladding (%) | | | |
|------------------------------------|------------|----------------|-------------|
| Height | Low | Central | High |
| 0-11m | 15 | 20 | 25 |
| 11-18m | 25 | 25 | 25 |
| 18-29m | 66 | 67 | 68 |
| 30m+ | 75 | 80 | 85 |

Source: Consultants and Home Office own estimates, 2020.

The estimated additional cost will be in the range of £1.7 to £29.9 million (PV), with a central estimate of £7.7 million (PV) over the 10-year period assessed. These estimates translate into per year costs ranging from £0.2 to £3.5 million, with a central estimate of £0.9 million (2019 prices).

2. Responsible persons (RPs) assessing the individual flat entrance doors in the context of updating a fire risk assessment

It is expected that a RP will conduct an assessment of individual flat entrance doors in a similar manner to that described in (1). The cost of this was estimated in the following manner:

$$\text{volume of flat doors} \times \text{time taken (hrs)} \times \text{wage (£/hr)}$$

The balance of personnel (Building Manager, Fire Risk Assessor and a Fire Engineer) used to assess individual flat entrance doors for a low, central and high scenario are taken from Table 3. The gross hourly wage for these personnel is also taken from Table 3.

The volume of buildings, see Table 1, was multiplied by the average number of flats at each height (see Table 5) to give the number of individual flat entrance doors, presented in Table 5. This was then multiplied by the average assessment rate (L = 25%, C = 50% and H = 75%)¹⁰. This volume was then multiplied by the time taken to inspect a door (L = 5 mins, C = 15 mins and H = 30 mins).

Table 5, Volume of flats by height, England, 2019.

| Volume of Flats | Low | Central | High | Ave No.of Flats |
|------------------------|------------|----------------|-------------|------------------------|
| 0-11m | 2,406,200 | 3,488,000 | 4,569,800 | 2.2 |
| 11-18m | 834,700 | 931,000 | 1,016,600 | 10.7 |
| 18-30m | 252,400 | 284,000 | 315,600 | 31.6 |
| 30m+ | 186,100 | 203,000 | 219,900 | 84.6 |
| Total | 3,679,400 | 4,906,000 | 6,121,900 | |
| Assessment rate | 25% | 50% | 75% | |
| Time per door | 5 | 15 | 30 | |

Source: MHCLG, consultants and Home Office estimates based on English Housing Survey 2017/18 estimates. FRS and consultant estimate of the average number of flats per building, the time taken to assess a door and the sample of doors to be assessed.

The estimated additional cost will be in the range of £1.6 to £82.5 million (PV), with a central estimate of £16.7 million (PV) over the 10-year period assessed. These estimates translate into per year costs ranging from £0.2 to £9.6 million, with a central estimate of £1.9 million (2019 prices).

3. Responsible persons (RPs) updates the fire risk assessment

It is expected that the RP will update the fire risk assessment to include the additional elements under the clarification of the law to the FSO. The RP is also expected to review the assessment

⁹ The proportion of buildings with cladding is not known with certainty, however evidence from the sector assumes that overall the proportion may be around 30 per cent but that for high rise buildings it is greater than 70 per cent. No other survey or register of buildings by height has a definitive count of buildings with cladding by height. The assumptions in Table 3 attempt to match sector perceptions.

¹⁰ The average assessment rate is taken from FRS and private sector estimates of how many doors in a building would be inspected and the time taken to assess a door.

and recommendations provided under (1) and (2) above, update the additional elements of the fire risk assessment and as appropriate may take any additional general fire precautions that may be reasonable in the circumstances of the case.

The cost of this was estimated in the following manner:

- a) *volume of buildings with cladding x time taken (hrs) x Building Manager wage (£/hr) +*
- b) *volume of buildings without cladding x time taken (hrs) x Building Manager wage (£/hr) +*
- c) *all buildings with individual flat entrance doors x time taken (hrs) x Building Manager wage (£/hr).*

The volume of buildings, see Table 1, was multiplied by the proportion of buildings that have cladding (see Table 4) to give the number of buildings with cladding. Similarly, the volume of buildings, from Table 1, was multiplied by the proportion of buildings that did not have cladding. These volumes were then multiplied by the estimated time taken to update the written fire risk assessment for that type of building and any recommendations for the RPs, see Table 5.

The building manager gross hourly wage is taken from Table 3 and lies in a range of £18.87 to £23.07, with a central estimate of £20.79¹¹. For the portion of the fire risk assessment that deals with individual flat entrance fire doors, the volume of all buildings (see Table 1) was multiplied by the time taken to complete the additional part of the fire risk assessment and by the Building Manager gross wage. These three individual costs were added to give the total estimated cost of the additional parts to a fire risk assessment.

Table 6, Additional time taken to update a fire risk assessment, England, 2019.

| Section of risk assessment | Low | Central | High |
|---------------------------------------|------------|----------------|-------------|
| Building with cladding | 30 | 45 | 60 |
| Building no cladding | 5 | 10 | 15 |
| Individual flat entrance doors | 15 | 20 | 45 |

Source: MHCLG, consultants and Home Office estimates based on English Housing Survey 2017/18 estimates..

The estimated additional cost will be in the range of £7.7 to £51.9 million (PV), with a central estimate of £24.1 million (PV) over the 10-year period assessed. These estimates translate into per year costs ranging from £0.9 to £6.0 million, with a central estimate of £2.8 million (2019 prices).

FRA costs

FRAs to consider external walls and individual flat entrance doors as part of the audit.

FRAs will need to ensure that these additional aspects of the building are included in the fire risk assessment and assess where necessary the fire precautions have been put in place as part of the overall assessment of compliance with the provisions of the FSO. The additional task will cover the the reading and reviewing of the relevant parts of the updated fire risk assessment, as necessary, inspecting the cladding and the individual flat entrance doors. The cost of this was estimated in the following manner, see Table 5:

- a) *all audit volumes x time taken (hrs) x Watch Manager (B) wage (£/hr) +*
 - b) *volume audited buildings with cladding x time taken (hrs) x Watch Manager (B) wage (£/hr) +*
 - c) *volume audited buildings with fire doors x time taken (hrs) x Watch Manager (B) wage (£/hr).*
- a) This is the volume of audits (L, C and H) multiplied by the time taken to read the fire risk assessment multiplied by the Watch Manager (B) wage (£/hr).
- b) This is the volume of audits (L, C and H) multiplied by the time taken to inspect the cladding multiplied by the Watch Manager (B) wage (£/hr).
- c) The volume of audits was multiplied by the average number of flats for a given building height multiplied by the individual flat entrance door inspection rate. This gave an estimate of the volume of doors that the FRS would audit. This volume was then multiplied by the time taken to inspect a door multiplied by the gross wage of a Watch Manager (B).

¹¹ The nominal hourly wage was multiplied by 1.18, which represents the non-wage share of labour costs (that is the costs that employers occur over the nominal wage, for example, national insurance costs and superannuation, see Eurostat 2018.

The cost of these three components was then added to give an estimate of the additional time taken for an FRS audit. It should be noted that the low cost is recorded as zero but this is because there is an additional cost to the FRA audit in the low scenario of £195,000 but this is met by a re-balancing of resources and that is signalled by the fact that the number of FRS audits¹² of HMOs, purpose-built flats of four storeys or more and houses converted to flats increased from 5,200 (the low estimate and the figure recorded in 2016/17) to around 9,000 in the year after Grenfell audits (in 2017/18) and then fell again to 6,500 (the central estimate and the figure recorded in 2018/19). However, the total number of audits (and therefore those of other types of buildings) actually decreased between 2016/17 and 2017/18 (see Table 2).

The high scenario anticipates that in the event of the clarification to the FSO and any future building safety changes, then there may be an increased public demand for audits plus the sector may become more risk averse and that may also contribute to an increased number of audits. This is demonstrated by the central and high scenarios (the high scenario shows an increase of nearly 40%) costing more if that demand is to be met.

The estimated additional cost will be in the range of £0.0 to £22.2 million (PV), with a central estimate of £5.9 million (PV) over the 10-year period assessed. These estimates translate into per year costs ranging from £0.0 to £2.1 million, with a central estimate of £0.7 million (2019 prices).

Table 7, Additional time for FRS audit, England, 2019.

| Fire audit | Low | Central | High |
|--|------------|----------------|------------------|
| Volume | 5,200 | 6,500 | 9,000 |
| AppORTIONED AS (central estimate) | | | |
| | | Audits | Ave Doors |
| 0-11m | | 1,775 | 2.2 |
| 11-18m | | 3,061 | 10.7 |
| 18-30m | | 762 | 31.6 |
| 30m+ | | 910 | 84.6 |
| Time (minutes) | | | |
| Risk assessment read/review | 30 | 45 | 60 |
| Inspect cladding | 30 | 60 | 90 |
| Inspect doors | 5 | 15 | 30 |
| Door inspection rate | 10% | 25% | 50% |
| Watch Manager (B) wage (£/hr) | £31.94 | £34.35 | £36.77 |

Source: Home Office, Fire Statistics, Table 1204, FS1, October 2019, plus NFCC, FRS and Home Office assumption, 2020.

Enforcement costs

If the FRS is of the opinion that the RP has failed to comply with the FSO, it may consider enforcement action ('an enforcement notice') or if the FRS consider that the use of the premises involves a risk so serious that use of the premise ought to be prohibited or restricted, the FRS may serve a prohibition notice on the RP.

The FSO is designed to manage and maintain the fire safety in buildings that have been built to building regulation standards. It was not intended to provide the legal basis to remedy non-compliance with these standards and for this reason this IA does not include any additional enforcement costs because enforcement activity will be due to non-compliant activity which is not included in the Net Present Value (NPV). However, it is recognised that any renewed impetus in the remediation of historic safety issues in residential buildings could lead to improved targeting of enforcement activity.

Indirect Costs

The clarification in law may stimulate action by building owners, leading to a renewed impetus in the remediation of historic safety issues in residential buildings. It is also expected that building owners or managers may need to put in place appropriate measures to mitigate the fire safety risks

¹² There were 6,509 audits of purpose-built flats (of any height), houses converted to flats and HMOs in 2018/19. See Home Office Fire Statistics, Table 1204, FS1, October 2019. See: <https://www.gov.uk/government/statistical-data-sets/fire-statistics-data-tables#fire-prevention-and-protection>

posed by external walls or individual flat entrance doors. However, when building owners or managers do this, the assessment will be carried out under the standards set in the Building Regulations at the time of construction (or at time of the last refurbishment) and some building owners or managers may not incur any additional action if the building meets the regulations of the time it was built plus any more recent and relevant regulation that applies or where the building has been assessed as being 'fit for purpose' by the FRA or a suitably qualified Fire Engineer or Fire Risk Assessor.

Total costs

Total costs are estimated to lie in the range of £11.35 million to £191.1 million, with a central estimate of £55.6 million (PV) over 10 years. As per year costs, these translate to £1.3 to £22.1 million (2019 prices), with a central estimate of £6.5 million.

BENEFITS

Direct Benefits

There are no monetised direct benefits due to the difficulties in estimating these.

Indirect Benefits

The indirects benefits of the clarification in law of the FSO, are a contribution to the overall improvements, by government and others, to fire and building safety following the recommendations made in the Hackitt report. These are difficult to assess given the lack of data around these and are therefore non-monetised in the IA. A significant contribution to fire safety should be the reassurance given to residents that the external walls (including cladding, balconies and windows) and individual flat entrance doors will be included in the fire risk assessment. Also that the external walls (including cladding, balconies and windows) and individual flat entrance doors will be assessed. When the FRS audit a building, these elements of the building will be inspected for fire safety, against the relevant standards. It is difficult to assess where this will be an additionality to an FRS because currently some FRS include individual flat entrance doors and others do not. Similarly, a few FRSs include cladding, whereas others do not.

Breakeven analysis

The total cost of this policy in the central scenario, is estimated, in 2019 prices, to be £56.0 million (PV) over 10 years while in the high scenario it is estimated to be £192.5 million (PV) over the same period. As there are no monetised benefits, breakeven analysis is used instead. The value of life (using the Quality Adjusted Life Year, QALY approach) from the Department for Transport (DfT) WebTag page for a fatality is taken¹³.

The methodology covers three main areas:

1. Lost output¹⁴.
2. Human costs¹⁵.
3. Medical and ambulance costs.

The published DfT value given for a fatality (over a lifetime) is £ 2,009,557.

¹³ Department for Transport (2019) Tag Data Book, May, v1.12, Table A4.1.1, Average value of prevention of a casualty, (2010 prices updated to 2019 prices and values) including lost output, human costs and medical/ambulance cost. See: <https://www.gov.uk/government/publications/tag-data-book>

¹⁴ O'Reilly, D. M. (1993) Costing road traffic accidents: the value of lost output, TRL Working Paper WP/SRC/09/93, unpublished.

¹⁵ Chilton, S. et al (1997) New research results on the valuation of preventing fatal road accident casualties, Road Accidents Great Britain: 1997, London, Department for Transport. See https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/254720/rrcgb-valuation-methodology.pdf

Dividing the central estimate of the total cost of this clarification in law of the FSO by the unit value, suggests that the policy would pay for itself over 10 years if it **saved 28 lives** (high scenario = 96).

To put this into perspective, in 2018/19 there were 251 fire-related fatalities in England and 7,163 non-fatal casualties from fires. Over the period 2009/10 to 2018/19 there were 2,977 fire-related fatalities and 80,714 non-fatal casualties from fires¹⁶.

If more effective identification and management of fire and building safety risks are achieved under this policy change, and assuming, that might lead to a reduction in fire-related deaths and casualties, then for this policy to pay for itself, only a small proportion of fire-related deaths (in a single year, $28 / 251 = 11.2\%$ and over 10 years, $28 / 2,977 = 0.9\%$) need to be saved for the benefits to match the costs.

Total cost and benefit, NPSV, BNPV and EANDCB

The estimate of total cost lies in a range of £11.5 to £191.1 million, with a central estimate of £55.8 million (PV) over the 10-year period assessed. Given benefits are not monetised, the total monetised benefits are set at £0.0.

The Net Present Social Value (NPSV), which is the total discounted benefits minus the total discounted costs is estimated to be -£55.8 million over the 10-year appraisal period. The Business Net Present Value (BNPV) is estimated to be -£49.9 million. The Equivalent Annual Net Direct Cost to Business (EANDCB) is £5.0 million.

It should be noted that because it has not been possible to monetise the benefits of this policy, that the NPSV only reflects the costs.

Small and Micro Business Assessment (SaMBA)

Small and micro-businesses will be affected by this clarification in the law. However, landlords, building owners, agents, managers (and anyone else who may be a RP and a DH including leaseholders) already work in a significantly regulated environment. The expectation is that any additional impacts on small and micro-businesses are likely to be minimal relative to impacts on the businesses that are larger than small and micro-businesses. There are no statistics¹⁷ that are currently available to estimate the number of small or micro-businesses that might be impacted by these changes that operate in either the private or public housing sector (where there may be multi-occupied, multi-storey residential buildings). Given that, a SaMBA has not been conducted here. However, given the importance of these changes to fire safety, it is not possible to give small and micro-businesses an exemption from these measures. Landlords are already subject to regulation and the properties owned are subject to the FSO already. Many landlords will already be taking steps (or did in the past) to make sure external wall systems (cladding, balconies and windows) and individual flat entrance fire doors are up-to-date and comply with the latest regulation and best practice guidance on both fire and building safety.

F. Proportionality.

Given the proposed clarification to the FSO, the level of analysis presented in this impact assessment is considered proportionate to the policy change. Appropriate resource and time were applied to the analysis.

¹⁶ Home Office (2019) Fire Statistics Table 0501: Fatalities and non-fatal casualties by population and nation, See: <https://www.gov.uk/government/statistical-data-sets/fire-statistics-data-tables#fatalities-and-casualties>

¹⁷ Data is returned to HMRC on landlords but the data held by them on company size and turnover is not available to put into the public domain. The Small Business Population Estimates (Department of Business, Energy and Industrial Strategy) do not show the number of individuals landlords or companies who own/lease multi-storey multi-occupied residential properties.

G. Risks.

Failure to amend the FSO would mean that the Government would not have an unquestioned legal basis upon which to bring forward secondary legislation to implement the specific recommendations made by the Grenfell Tower Inquiry Phase One report. The economic implication of this is, that it may not be possible to avoid a tragedy similar to that of the Grenfell Tower fire which not only mean a human disaster unfolding but also very considerable economic costs accruing due to the devastating effects of a fire of this magnitude. This would also be a failure to reassure the public that adequate measures were being taken to address fire and building safety.

There is a requirement for building owners or managers to share information with their local FRS on any issues with the cladding on multi-occupied multi-storey residential buildings and on individual flat entrance doors. The risk is that if the FRA or FRS do not receive that information then inadequate resource may be deployed to that building in the event of a potential incident (a fire or requirement to evacuate that building) and that further resource may be delayed in getting to the incident. This may impose unnecessary costs on society if loss of life, casualties or property damage is greater than what would have been expected.

The economic costs set out in this IA are based on reasonable assumptions and data as described in the Appraisal section. There is significant uncertainty around the following:

- The volume of buildings.
- The volume of buildings with cladding.
- The volume of buildings with potentially unsafe cladding or inadequate individual flat entrance doors.
- The balance of resources used to assess walls (including cladding, balconies and windows) and individual flat entrance doors, that is, Building Managers, Fire Risk Assessors and Fire Engineers.

In each of the above – where the volume or proportion is greater than that estimated in the IA - then it is possible that subsequently, costs may be greater than those estimated here. This is why the costs have been estimated in a range of three scenarios (low cost, central or 'best estimate' and high cost).

However, in mitigation, each of these areas has been fully explored, best available data used and assumptions tested with various organisations, for example, MHCLG, NFCC, wider sector opinion, LABC and consultants. The estimates presented are the best available at this time and the Government is fully committed to monitoring and evaluating the policy as it develops in the future. Any secondary legislation following this will also be rigorously assessed in a cost-benefit framework to ensure that the Government's objectives are met and that the taxpayer receives value for money (VfM)¹⁸

¹⁸ See: HM Treasury (2018) The Green Book: appraisal in central government, London and HM Treasury (2018) Managing Public Money, March, London.

H. Direct costs and benefits to business calculations

Table 1, Summary Table of Monetised Benefits and Costs (NPV, BNPV and EANDCB), 2019 prices.

| £ million (10 yr PV) | Low Cost | Central Estimate | High Cost | Per Year cost (central estimate) |
|------------------------------|--------------|------------------|---------------|----------------------------------|
| COSTS | | | | |
| Set-up costs | | | | |
| RP familiarisation | 0.5 | 1.4 | 4.6 | |
| FRS familiarisation | 0.0 | 0.0 | 0.0 | |
| Total familiarisation | 0.5 | 1.4 | 4.7 | |
| Ongoing costs | | | | |
| Cladding assessment | 1.7 | 7.7 | 29.9 | 0.9 |
| Fire door assessment | 1.6 | 16.7 | 82.5 | 1.9 |
| Fire risk assessment work | 7.7 | 24.1 | 51.9 | 2.8 |
| FRS audit | 0.0 | 5.9 | 22.2 | 0.7 |
| Total ongoing costs | 11.0 | 54.4 | 184.4 | 6.3 |
| Total business cost | 11.5 | 49.9 | 168.9 | 5.8 |
| Total FRA cost | 0.0 | 5.9 | 22.2 | 0.7 |
| Total cost | 11.5 | 55.8 | 191.1 | 6.5 |
| Total benefit | 0.0 | 0.0 | 0.0 | 0.0 |
| NPSV | -11.5 | -55.8 | -191.1 | |
| BNPV | -11.5 | -49.9 | -168.9 | |
| EANCB | 1.1 | 5.0 | 16.9 | |

Source: Home Office, own estimates, March 2020.

I. Wider impacts

Mortgage market and lender behaviour

There is anecdotal evidence that where there are fire compliance issues, and especially where remediation is required, that mortgage lenders, surveyors and building owners are becoming more risk averse. This has manifested as refusal to lend, zero valuations and building owners refusing residents either access to documentation on the safety of the building or allowing physical intrusive inspections of external wall systems (including cladding) to be carried out. For some leaseholders and residents, this is causing difficulties in selling and the purchase of properties in high rise residential buildings.

Royal Institute of Chartered Surveyors (RICS) have been leading a cross-industry working group to consider best practice in the reporting and valuation of tall buildings within the secured lending arena, to agree a new standardised process. This will be used by valuers, lenders, building owners and fire safety experts in the valuation of high-rise properties, with actual or potential combustible materials to external wall systems and balconies. This is endorsed by RICS, UK Finance, Buildings Societies Association, IRPM and ARMA. MHCLG are supportive of the approach.

Mortgage approval, valuation and insurance on high rise blocks of flats that have external walls consisting of potentially combustible material have been causing difficulties across the market, and has been impacting transactions. The new External Wall Fire Review process will require a fire safety assessment to be conducted by a suitably qualified and competent professional, delivering assurance for lenders, valuers, residents, buyers and sellers. The Review has been developed through extensive consultation with a wide range of stakeholders. Only one assessment will be needed for each building and this will be valid for five years. This is a significant step to help the market move forward and unblock zero valuations.

Remediation

It is also evident since the Grenfell Tower tragedy that a number of buildings require remediation. Initially, this was focussed around ACM cladding but since then other cladding materials and some other issues (for example, balconies from the Barking fire and individual flat entrance fire doors) have been raised. The FSO does not directly impact on building standards as these are laid down in building regulations. However, since the issue of advice, principally from the MHCLG¹⁹ but also from others (for example, the Local Government Association (LGA) 2012)²⁰ there is anecdotal evidence of growing risk aversion and concern about fire safety.

On 11th March 2020, the Government announced in the Budget that it would provide £1 billion in 2020/21 to fund the removal and replacement of unsafe non-ACM cladding systems for both social and private sector residential buildings which are 18m+. These systems, such as high-pressure laminate, wood and other class C/D cladding (as identified in the Independent Expert Advisory Panel's Consolidated Advice Note on building safety), have been installed on multi-storey multi-occupied residential buildings in both the private and social housing sectors. This funding is in addition to the £600 million which the Government has already made available to ensure the remediation of the highest risk Aluminium Composite Material (ACM) cladding of the type that was in place on Grenfell Tower. This is a total investment of £1.6 billion to support remediation of ACM and non-ACM cladding systems on private and social buildings of 18m+.

However, there is no systematic evidence or data to inform either of these issues and whilst government, the sector and leaseholders are aware of these issues. It has not been possible to quantify any volumes or assess any costs associated with this.

The Building Safety Bill being brought forward by MHCLG and this policy may contribute to avoiding a similar disaster to the Grenfell Tower tragedy. MHCLG estimate the economic cost of a single such incident to be £0.8 to £1.1 billion, once in a 10 to 30-year period²¹.

J. Trade Impact.

This policy will have no impact on trade as it is focussed on a domestic issue.

K. Implementation date, monitoring and evaluation (PIR if necessary), enforcement principles.

Implementation is expected in 2020 and is dependent on the passage of the Bill through Parliament. The clauses from the Fire Safety Bill will be brought into force by means of commencement regulations made by the Secretary of State enabling prioritisation for clauses to be brought into effect over time in a proportionate way.

The Home Office and FRSs collect data on audits and this will be closely monitored.

The enforcement of this legislative change will be the same as for other issues which are covered by the FSO.

It is likely that this policy will be evaluated in October 2025.

¹⁹ MHCLG (2020) Advice for Building Owners of Multi-storey Multi-occupied Residential Buildings, January, London. see https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/860484/Building_safety_advice_for_building_owners_including_fire_doors_-_January_2020.pdf

²⁰ The Local Government Association (2012) Fire safety in purpose-built blocks of flats, May, London. see <https://www.local.gov.uk/fire-safety-purpose-built-flats>

²¹ MHCLG (2019) Building a Safer Future: Proposals for reform of the building safety regulatory system, a consultation June, London. See

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/806892/BSP_consultation.pdf

Economic Impact Tests: does your policy option/proposal consider?

| | |
|---|--|
| <p>Small and Micro-business Assessment (SaMBA) The SaMBA is a Better Regulation requirement intended to ensure that all new regulatory proposals are designed and implemented so as to mitigate disproportionate burdens. The SaMBA must be applied to all domestic measures that regulate business and civil society organisations, unless they qualify for the fast track. [Better Regulation Framework Manual] or</p> <p>Small and micro-businesses will be affected by this clarification in the law. The expectation is that any additional impacts on small and micro-businesses are likely to be minimal relative to impacts on the businesses that are larger than small and micro-businesses. However, there are no statistics that are currently available to estimate the number of small or micro-businesses that might be impacted by these changes that operate in either the private or public housing sector (where there may be multi-occupied, multi-storey residential buildings). Given that, a SaMBA has not been conducted here.</p> | |
|---|--|

| | |
|--|-----|
| <p>Clarity of legislation Introducing new legislation provides an opportunity to improve the clarity of existing legislation. Legislation with multiple amendments should be consolidated, and redundant legislation removed, where it is proportionate to do so.</p> | Yes |
|--|-----|

Social Impact Tests

| | |
|---|--|
| <p>Statutory Equalities Duties The public sector equality duty requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations in the course of developing policies and delivering services. [Equality Duty Toolkit]</p> | |
|---|--|