
UK cladding plan increases pressure on developers globally

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A UK plan for property developers to contribute to a £4 billion (\$7.6 billion) fund to fix dangerous cladding would put pressure on apartment developers and builders in Australia to take more liability for the use of combustible panels, architect and former Victorian premier Ted Baillieu says.

Mr Baillieu, who in 2017 co-chaired Victoria's taskforce assessing the problem in the worst cladding-affected state and who has spoken in the UK about the Australian crisis that has left thousands of apartment owners with unsellable homes, said the UK plan would up the ante globally on liability.

Different countries – and in Australia, different states – have their own cladding rectification processes. Victoria is stumping up \$600 million to fix panels on the worst-affected buildings, while NSW is paying \$260 million in loan interest and supporting work that owners will fund.



The Grenfell Tower fire killed 72 people. **Getty**

But the plan Housing Secretary Michael Gove announced on Monday to encourage – and, if necessary, force – developers to put money into rectification would push the UK ahead globally on

securing redress for owners, Mr Baillieu said.

“Victoria is still arguably world-leading but if this was introduced this would take some beating,” he told *The Australian Financial Review*.

“That’s the challenge for the industry here.”

It wasn’t yet clear whether the UK proposal was for developers to contribute to rectification of all defects or just cladding-related ones, nor was it clear what would happen to apartment owners – called leaseholders in the UK – who have already funded rectification themselves or those currently sitting with bills to do so, Mr Baillieu said.

But Mr Gove’s announcement this week reinforced the long-standing idea that the buyers of these apartments should not be saddled with the cost of fixing non-compliant apartment buildings.

UK property developers must contribute to the £4 billion fund to fix dangerous cladding on low-rise apartment blocks by March or face new regulations that would force them to pay, he said.

Mr Gove said it was “morally wrong” that homeowners were still trapped in unsafe and unsellable apartments more than four years after the fire at Grenfell Tower in London, in which flammable cladding materials contributed to the deaths of 72 people.

“To those who mis-sold dangerous products like cladding or insulation, to those who cut corners to save cash as they developed or refurbished people’s homes, and to those who sought to profiteer from the consequences of the Grenfell tragedy: we are coming for you,” Mr Gove said.

He is trying to draw a line under a scandal around building standards that was exposed by the Grenfell tragedy in June 2017. An estimated three million people live in apartment blocks with dangerous materials, and many face eye-watering bills for repairs.



The devastating fire at London's Grenfell Tower in 2017. AP

The government had already committed as much as £5 billion to fix the tallest buildings, but it is now demanding that home builders contribute to the costs of remediation work on buildings between 11 metres and 18 metres tall. Mr Gove said developers must also meet the costs of other fire safety issues, including missing fire breaks and defective compartmentation.

‘Desperately unfair’

Campaigners and the main opposition Labour Party were sceptical, saying the tough pledges must be met with action.

Previously, leaseholders in buildings of between four and six storeys had only been promised access to loans to help cover the costs themselves.

“We know that those who manufactured dangerous products and developed dangerous buildings have faced inadequate accountability so far and shown insufficient contrition,” Mr Gove said, while leaseholders – including many young people – were shouldering a “desperately unfair burden”.

If developers do not comply, the government could restrict their access to UK funding and future procurements. Using planning powers and pursuing firms through the courts are also options. All firms with annual profits from house building of at least £10 million are expected to contribute.

Potential tax hike

Mr Gove said he had withdrawn “misinterpreted” government advice that had prompted too many buildings to be declared unsafe, and that before Easter the government would indemnify building assessors conducting external wall assessments to “give them the confidence to exercise their balanced professional judgment”.

Those assessments will be audited to make sure expensive mediation is only being advised where it is necessary to remove a threat to life, he said.

Mr Gove has written to house builders to convene a meeting over the next few weeks. If no solution is agreed around the table, clauses in the Building Safety Bill – currently going through Parliament – allow the government to introduce a levy on developers of high-rise buildings, on top of the 4 per cent tax on the largest most profitable developers announced in last year’s budget.

Stewart Baseley, executive chairman of the Home Builders Federation, which represents private sector developers in England and Wales said in a statement: “We will engage directly with government, but any further solutions must be proportionate, and involve those who actually built affected buildings and specified, certificated and provided the defective materials on them.”

A spokesperson for the End Our Cladding Scandal campaign group said: “The burden of paying for repairs for other serious safety defects – lack of compartmentation, missing fire breaks, shoddy building work – has still not been lifted from leaseholder shoulders, whatever their building’s height.”

Mr Baillieu said an alternative political remedy to cladding remediation remained on the table, the Polluter Pays Amendment to the Building Safety Bill, which would make it easier for leaseholders to seek redress for defective buildings.

This bill, drafted and pushed by affected apartment owners – and which has gained support from a number of Lords in the UK upper house – would be even more sweeping in terms of making developers liable, he said.

“This amendment’s going to cover off everything – not just cladding but all defects and all other costs and establish a principle that if you don’t build according to the regulations, it doesn’t matter how long ago you did it, you’ll have to pay to fix it,” Mr Baillieu said.

“If that happened, that’s a massive cultural change worldwide.”

– *With Bloomberg*