



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Michael Gove MP
Secretary of State for Levelling Up, Housing and Communities
Department for Levelling Up, Housing and Communities
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

5 January 2022

Dear Michael,

DLUHC SOS BUILDING SAFETY PROPOSALS

Thank you for your letter from December seeking clearance to make a statement resetting the Government's approach to building safety ahead of Commons Report Stage of the Building Safety Bill.

I am content to provide approval to this, subject to Treasury clearance of the final draft statement. This package broadly reflects discussions with my Department over recent weeks and I thank you, your officials and No10 colleagues for their constructive engagement.

My approval, which I have discussed with the Chancellor, is on the basis that:

- You have committed to restoring proportionality to the system. This is critical to the success of any package. I am pleased to see your plans for engagement with key stakeholders including RICS and major lenders – it is very important that these groups are able to participate in a new, proportionate approach that directly and rapidly addresses the barriers they note are currently holding back greater proportionality, primarily a lack of clarity over the safety of individual buildings. My officials should be kept regularly updated by DLUHC on the progress of this work.
- You are replacing the 11-18m finance scheme agreed in February with a limited grant scheme which you have separately said you will seek to reduce the costs of. The maximum, whole-life cost, based on the modelling your Department has conducted which you have confirmed, must be £4bn. Your department should discuss design choices with my officials – and the business case will be subject to Treasury approval in the usual ways.



- You may use a high-level 'threat' of tax or legal solutions in discussions with developers as a means to obtaining voluntary contributions from them. Whether or not to impose or raise taxes remains a decision for me and is not a given at this point.
- I am pleased to see that you acknowledge the principle that the taxpayer should not be on the hook for further costs of remediation. To reiterate, my approval of this new package for 11-18m buildings is therefore conditional on no further Exchequer funding.
- You have confirmed separately that DLUHC budgets are a backstop for funding these proposals (in full i.e. the £4bn if required), should sufficient funds not be raised from industry. You must prioritise building safety over supply. This should not just be for a future SR, but be reflected in spending and delivery choices now, to ensure there is room to pay for this later if needed. I expect your officials to work with mine to underscore the detail of these trade-offs over the course of January 2022.
- Lenders and insurers are not included in the 'polluter pays' piece – and no contributions should be sought from them.
- This package covers cladding only and does not extend to non-cladding.
- Your department accelerates delivery of the Building Safety Fund, given this is for the highest-risk, 18m+ buildings. As accelerated delivery of the BSF is a priority, I expect your officials to work with mine to develop credible proposals for absorbing the costs of the 11-18m scheme from your wider capital budgets.

I am copying this letter to the Prime Minister and Chair of the PBL Committee.

Yours ever,

A handwritten signature in dark ink, appearing to read 'Simon'.

RT HON SIMON CLARKE MP