



After Grenfell - implications for housing providers across Europe

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What we will cover

1. Grenfell – *solely a UK phenomenon?*
2. The range of implications
3. How Grenfell has played out from different perspectives
4. Lessons for social landlords
5. Questions and answers



“Grenfell could have happened to anybody in the sector”



Krasnoyarsk,
Siberia, Russia
2014

Mermoz block,
Roubaix,
Northern France
2012





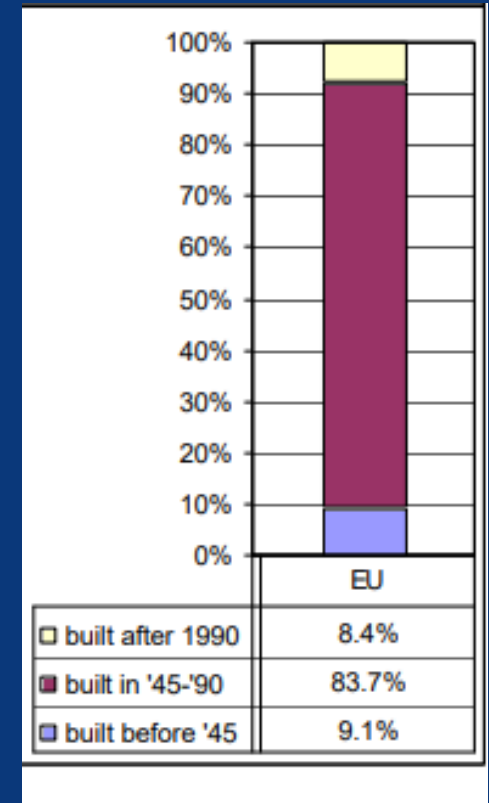
Lakanal House,
South London
2009

Garnock Court,
Irvine, Scotland
1999



The scale of the issue

- Fires can occur in any type of building
- But high rise blocks present particular challenges
- A quarter of EU population lives in buildings each with 10 or more dwellings (2016 – 23.8%)
- Over one-third in Bulgaria, Czech Republic, Estonia, Spain, Latvia, Lithuania, Poland, Slovakia, Sweden
- Many tower blocks are decades old (Grenfell built 1974)



Notes

1. Figures are from 2004
2. Relates to blocks of 4+ storeys

Total of all dwellings in multi-storey blocks (%)

Belgium	4.3
Czech Republic	33.8
Denmark	10.4
Finland	22.0
France	15.9
Germany	6.0
Hungary	23.2
Italy	22.7
Luxembourg	16.2
Netherlands	6.7
Poland	38.9
Portugal	21.6
Slovak Republic	37.5
Slovenia	12.4
Spain	30.6
UK	2.4

Notes

1. *Figures are from 2004*
2. *Multi-storey is defined as 4+ storeys*

The implications stretch wider and wider

- Scrapping cladding
- Energy costs
- Fireproofing
- Maintenance programmes
- Leaseholders
- Diversion of funding
- Effects on new build programmes
- Demand for high rise
- Property valuations
- Insurance premiums
- Lenders and investors
- Consumer standards regulation
- Boards and compliance
- Sources of assurance
- Data integrity
- Resident engagement
- Regeneration programmes
- Local authority roles
- Government policies
- Government funding

Responses to Grenfell

Reviews and inquiries

- Independent review of building regulations and fire safety (Hackitt)
- Grenfell Tower Public Inquiry
- Independent panel of building and fire safety experts (Knight)
- Industry Response Group (set up by government)
- Independent Grenfell recovery taskforce (to support K&C Council)
- National Housing Federation expert panel

And more...

- E.g. London Councils research on tower block residents' communication



Asset management

- Immediate focus on residents' health and safety
- Substantial costs of removing cladding
- Knee-jerk responses vs legitimate H&S concerns
- Insulation, condensation – *health effects*
- Energy costs – *fuel poverty*
- Sprinkler systems and other fireproofing – *unintended consequences; challenges of retrofitting*
- Service charges; leaseholder works recharges
- Maintenance programmes – *diversion of resources; cycles lengthened*



Development

- Capital funding destined for new build diverted to remedial works
- Reduced new build programmes increase demand, homelessness
- Will people still want to live in high rise blocks – *especially older ones?*
- Will valuations of high rise properties be affected – *reducing borrowing capacity?*
- Will lenders and investors be scared of funding some developments?



Valuations

Experts speak on tower block values

Assessments will have 'abnormal uncertainty' clause in wake of Grenfell

Luke Barrett

Valuers are inserting an 'abnormal uncertainty' clause into their assessment of values of tower blocks, in a reflection of the doubt in the sector amid the fallout from the Grenfell Tower disaster.

There has been widespread uncertainty over what value tower blocks should be considered to have, following James Price's fire at Grenfell Tower in west London. It, and besides, the resulting values in the sector, spoke out for the first time about these concerns this week.

Social housing properties are typically valued using the Existing Use Value – Social Housing (EUV) methodology, which includes an assessment of the cost of repairing and maintaining the property and could be affected by safety works, such as the removal of cladding.

Valuers have therefore taken the unusual step of introducing an 'abnormal uncertainty' clause into their assessments.

Robert Grady, head of housing at Savills, told Inside Housing: "It is a requirement of good, professional practice – as set out by RICS 100

Abnormal uncertainty

Abnormal uncertainty is a caveat valuers are required to add to valuations when the assessment is in particular doubt. It has been used following events such as 9/11 and Brexit.

Savills' housing is typically valued according to the Existing Use Value – Social Housing methodology, which calculates a discounted cash flow,

reated with "considerable caution" Richard Perry, lead director of residential laboratory at JLL, told Inside Housing: "If you were acquiring the asset today, how much would you build in for works when you don't know what the works requirement will be? Different buyers will form of lower views and therefore the range of bids could vary quite widely."

The uncertainty of a new building similar to Grenfell Tower on the

Regulation of housing providers



- Homes & Communities Agency (now Regulator of Housing – for England) – *“We must perform our functions in a way that minimises interference and is proportionate”*
- Limited resources for regulating and enforcing Consumer Standards – *“In accordance with the Localism Act 2011 the HCA can use its regulatory and enforcement powers only if it thinks that there has been a failure to meet a consumer standard and there are reasonable grounds to suspect that the failure has resulted in a serious detriment to the provider’s tenants or there is a significant risk that, if no action is taken by the HCA, the failure will result in a serious detriment to the provider’s tenants.”*
- Little regulatory engagement with councils
- Post-Grenfell, the mood has been changing

Governance

- Regulator's Sector Risks Profile – *major H&S focus*
- Governance downgrades over gas safety and H&S
- Board role in ensuring and overseeing compliance?
- What sources of assurance should Boards require?
- It's about data integrity!

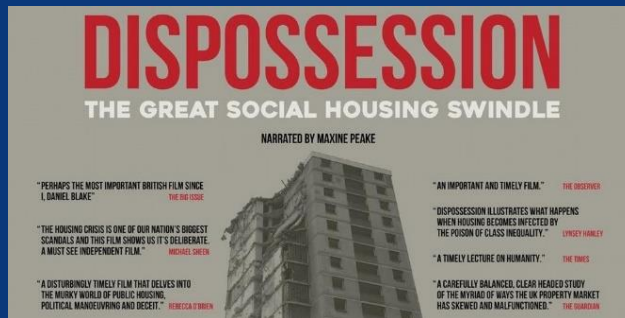


Regulatory attention



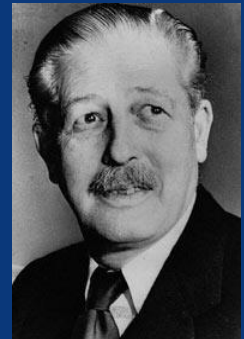
Residents

- Scant government and regulatory attention for resident engagement in recent years
- Funding cut to national tenant bodies
- Reduced resident involvement in governance
- Post-Grenfell, the mood has changed
- Resident voices now being heard
- Regeneration back in spotlight - *'Dispossession'*



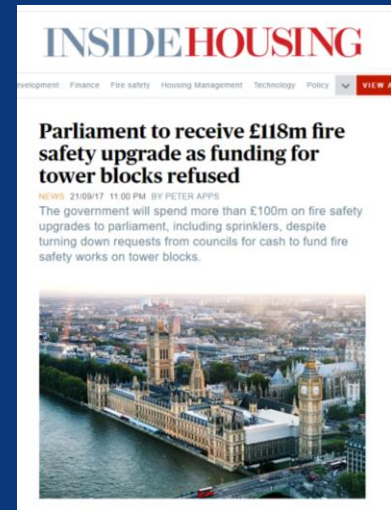
Government

- Fire safety and H&S are landlord's responsibility
- Limited scope of Grenfell Public Inquiry
- Government reassessing approach to social housing – *Green Paper*
- More focus on consumer regulation (including for councils)?
- Greater sense of risks inherent in social housing provision
- Growing political and demographic importance of housing
- Government desperate for new housing supply
- But with government focusing on Brexit - *how much attention for social housing?*



Funding

- Government will not fund remedial/fireproofing works
- Some extra government grant for building new homes
- Rent settlement to return to CPI +1% - *but still two more years of -1% rents to go*
- Challenges of Universal Credit, supported housing funding remain
- And with lower tax take than expected and Brexit uncertainty – *prospects bleak for new funding for social rented housing*
- The UK's housing crisis is set to continue...



Facing the future

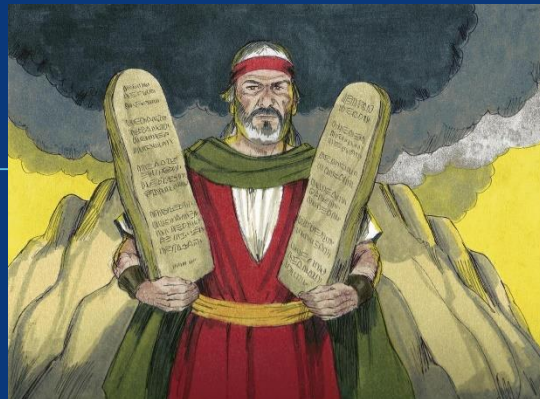
Should we wait for the reviews to report?

- The reviews and inquiries may change the landscape
- But the housing crisis won't wait for the reviews –
 - *Homes to build*
 - *Properties to improve*
 - *Residents to safeguard*
- So don't wait to be told
- Don't wait for new problems to occur
- Focus on how you gain assurance
- Focus on how you learn
- Be clear where the buck stops – *Board and Executive*



So how should landlords respond?

1. Factor H&S works into business plan and stress testing
2. Review maintenance programmes, development specifications
3. Comprehensive and effective compliance and assurance framework
4. Continuing governance oversight – *and understanding*
5. Listen to residents – *scrutiny of service delivery*
6. Robust complaints handling
7. Share best practice, share resources, maximise joint working
8. Innovate to improve service delivery and support tenants – *but test before implementation*



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