| Part Title: Affirmative and negative Regulations under Part 4 of the Building Safety Act 2022 | Impact Assessment (IA) |
|---|---|
| **IA No:** DLUHC Building Safety 01 (2023) | **Date:** 22 May 2023 |
| **RPC Reference No: n/a** | **Stage:** Final |
| **Lead department or agency:** Department for Levelling Up Housing and Communities | **Source of intervention:** Domestic |
| | **Type of measure:** Secondary Legislation |
| **Other departments or agencies:** Health and Safety Executive and Home Office | **Contact for enquiries:** |

## Summary: Intervention and Options

**RPC Opinion: n/a**

| **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** Non Qualifying provision |
| **N/A**[1] | **N/A** | **N/A** | |

**What is the problem under consideration? Why is Government action or intervention necessary?**

The tragic fire at Grenfell Tower and Dame Judith Hackitt's subsequent review of Building Regulations and Fire Safety (the Hackitt Report) led to the government legislating for reforms to make buildings safer and deliver improvements across the built environment, including strengthening oversight and protection for residents in high-rise buildings, through the Building Safety Act 2022 (the Act).

The Act, which received Royal Assent on 28 April 2022, introduced long-lasting reform of the building safety system and set out the broad principles for the way in which building safety in higher-risk buildings is to be managed. Within these provisions, powers were taken to set out further details around various sections of Part 4 including, certification, accountable persons, managing building safety risks, mandatory occurrence reporting and enforcement amongst other aspects. This Impact Assessment covers the package of secondary legislation required to implement the provisions under Part 4 of the Act and ensure residents who live in higher-risk buildings[2] feel safe, and are safe, in their homes.

**What are the policy objectives of the action or intervention and the intended effects?**

The objective of these Regulations and underlying provisions of the Act is to establish a new, more stringent regulatory regime for occupied higher-risk buildings and give residents a stronger voice in the system, ensuring they have access to a wide range of building safety information and the opportunity to contribute to the decision-making for their homes. These Regulations will implement the government's ambition to make long-lasting reform in the building safety system.

Further detail on the objective of the different policy areas in the Regulations has been provided in the main body of the Impact Assessment.

[1] The benefits estimated have not been included in the total assessment of net present value for this Impact Assessment. The benefits are estimated together, providing a high-level assessment for both Parts 3 and 4 of the regime, and cannot be disaggregated. The aggregated benefits are included to give a sense of scale, however the benefits cannot be compared against the costs.

[2] The Act defines 'occupied higher-risk buildings' as buildings that are at least 18 metres in height or have at least 7 storeys and contain at least two residential units.

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

The government does not consider that there are viable alternatives to deliver the comprehensive and fundamental reform of the current regulatory system for occupied higher-risk buildings. Without this package of secondary legislation, the government would not be able to implement or enforce the measures included in the Act by Parliament.

The package of secondary legislation will place clear legal responsibilities on those who are responsible for the management of structural and fire safety issues in occupied higher-risk buildings, provide the Building Safety Regulator (the Regulator) with enforcement powers to deter and remedy non-compliance and give residents a stronger voice in the system, ensuring they have access to a wide range of building safety information and the opportunity to contribute to the decision-making for their homes.

The policy outcomes these Regulations deliver were recommended by Dame Judith Hackitt and tested and refined to reflect feedback from public consultations and various engagement with stakeholders. Dame Judith Hackitt was clear that the government '...must strengthen regulatory oversight to create both positive incentives to comply with building safety requirements and to effectively deter non-compliance'. This is what these Regulations will deliver.

| | | | | |
|---|---|---|---|---|
| Is this measure likely to impact on international 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** | |

**Will the policy be reviewed?**

This policy will be reviewed as part of the wider independent review of the regulatory system. The review must be appointed within five years of the Act gaining Royal Assent.

***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: Lee Rowley Date: 9th August 2023

# Summary: Analysis & Evidence

**Description:**

**FULL ECONOMIC ASSESSMENT**

| Price Base Year 2019 | PV Base Year 2023 | Time Period Years: 15 | Net Benefit[3] (Present Value (PV)) (£m) | | |
|---|---|---|---|---|---|
| | | | Low: NA | High: NA | Best Estimate: NA |

| COSTS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---|---|---|---|---|
| **Low** | N/A | | £133.5m | £1,591.7m |
| **High** | N/A | | £274.2m | £3,269.1m |
| **Best Estimate** | N/A | | £182.9m | £2,179.8m |

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

The costs relate to the implementation, operational and maintenance activities associated with the Regulations set out in Part 4 of the Act, relating to managing building safety for occupied higher-risk residential buildings. They include costs to industry and costs to the Regulator (who will recover some of these costs from industry via cost recovery).

The costs to industry primarily relate to the implementation and maintenance of safety in higher-risk residential buildings during their occupation. These include (but are not limited to):

- Familiarisation
- Creating and maintaining a golden thread of information
- The creation and collection of all the required documents, processes and structures needed to attain a building assessment certificate, including a safety case and resident engagement and complaints
- Engagement with the Regulator on enforcement and appeals

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

There are no hypothesized non-monetised costs.

| BENEFITS[4] (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---|---|---|---|---|
| **Low** | **N/A** | | **N/A** | **N/A** |
| **High** | **N/A** | | **N/A** | **N/A** |
| **Best Estimate** | **N/A** | | **N/A** | **N/A** |

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

The benefits estimated have not been included in the total assessment of net present value for this Impact Assessment, see 'Other key non-monetised benefits' section below.

[3] The benefits estimated have not been included in the total assessment of net present value for this Impact Assessment. The benefits are estimated together, providing a high-level assessment for both Parts 3 and 4 of the regime, and cannot be disaggregated. The aggregated benefits are included to give a sense of scale, however the benefits cannot be compared against the costs.

[4] The benefits estimated have not been included in the total assessment of net present value for this Impact Assessment. The benefits are estimated together, providing a high-level assessment for both Parts 3 and 4 of the regime, and cannot be disaggregated. The aggregated benefits are included to give a sense of scale, however the benefits cannot be compared against the costs.

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

The non-monetised benefits of the proposed enhanced building safety regime that we have identified are: improved mental health for residents, and improved functioning of mortgage and insurance markets.

The benefits estimated have not been included in the total assessment of net present value for this Impact Assessment. The benefits are estimated together, providing a high-level assessment for both Parts 3 and 4 of the regime, and cannot be disaggregated. The aggregated benefits are included to give a sense of scale, however the benefits cannot be compared against the costs. The benefits are subject to change as work on Part 3 progresses.

We estimate the total benefit of the regime to be £1,173.3m - £5,299.4m, with a central estimate of £2,634.0m in present value terms. This equates to an estimated annual benefit of £95.6m - £416.5m, with a central estimate of £210.1m.

The primary monetised benefit is reducing the risk of fires spreading across, or within, buildings. This will reduce risks to life and health (including mental health) and avoid losses of property and other costs related to such incidents. The likelihood of systemic risks arising and requiring expenditure to mitigate, and remedy, will also be reduced. This includes the need to repair, replace or remediate damage caused by defective or otherwise unsafe construction products.

There will also be other cost savings, in part due to the avoidance of defects arising in the construction process, that will be brought about through Regulations made relating to the design and construction of higher-risk residential buildings under powers in Part 3 of the Act.

| **Key assumptions/sensitivities/risks** | **Discount rate(%)** | See below |
|---|---|---|

The assumptions underpinning the analysis in this Impact Assessment are the best estimates available at the time of publication.

Annex A sets out the methodology and key assumptions used to estimate monetised benefits in this Impact Assessment.

- The appraisal period is 15 years for the costs, with an extended period of up to 75 years for the benefits. For the first 30 years of the appraisal period a discount rate of 3.5% has been applied to costs and non-health related benefits and 1.5% to health-related benefits. For the subsequent 45 years, a 3% and 1.29% discount rate has been applied respectively. This is in line with guidance in HM Treasury's Green Book - Appraisal and Evaluation in Central Government.
- The benefits are accrued over the 15-year policy that could persist up to 60 years after the end of that period. See Annex A for further detail.

**BUSINESS ASSESSMENT (Option 1)**

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

# Evidence Base

## Problem under consideration and rationale for intervention

1. Following the Grenfell Tower tragedy in June 2017, the government appointed Dame Judith Hackitt to lead an independent review of building regulations and fire safety. In her May 2018 report, 'Building a Safer Future', Dame Judith outlined a new approach to managing fire and structural safety risks in high-rise multi-occupied residential buildings. Overall, 53 recommendations were made for government and industry to drive the cultural change and behaviours necessary to improve building safety.

2. The government committed to implementing Dame Judith Hackitt's recommendations and, at the end of April 2022, the Act received Royal Assent. The Act will make buildings safer and deliver improvements across the built environment, including strengthening oversight of high-rise buildings. Its focus on risk will help owners to manage their buildings better, while giving the home-building industry the clear, proportionate framework it needs to deliver more, better, high-quality homes.

3. A key part of these reforms includes introducing a new, more stringent regulatory regime for high-rise residential buildings which are at least 18 metres in height or at least 7 storeys (whichever is reached first), defined in the Act as higher-risk buildings. The new, more stringent regulatory regime will place legal responsibilities on those who manage structural and fire safety in higher-risk buildings when they are occupied.

4. Requirements of the new, more stringent regime for higher-risk buildings are set out in Part 4 of the Act and are supported by a package of secondary legislation. These requirements include an obligation to register the building[1], the introduction of a safety case approach to managing the spread of fire and structural safety during occupation, duties to engage residents, the ongoing management of a digital golden thread of information throughout the building's lifecycle and the creation of a mandatory occurrence reporting framework.

5. The Regulator[2] will oversee compliance with the new Regulations and enforce the new, more stringent regulatory regime for higher-risk buildings when they come into force.

6. As well as residents, the new regulatory regime will affect persons involved in the ownership or management of buildings. This can include individuals, partnerships and companies, including registered providers of social housing, commonhold associations and resident management companies/right to manage companies, if they meet the definition of an accountable person, or principal accountable person. See further detail on the accountable person below.

[1] The requirement for the principal accountable person to register their building has been in force since April 2023 and is detailed in a separate Impact Assessment - https://www.legislation.gov.uk/ukia/2023/36/pdfs/ukia_20230036_en.pdf

[2] The Building Safety Regulator is part of the Health and Safety Executive.

7. This Impact Assessment supplements the assessment which accompanied the Building Safety Bill's passage through Parliament[3] and the costings analysis provided at the consultation stage[4]. It covers the secondary legislation that will enable the implementation of the new in-occupation regime. This section also sets out the issues being addressed by the affirmative and negative Regulations under Part 4 of the Act.

## Rationale for intervention

8. Dame Judith Hackitt's report highlighted a number of market failures in the construction and management of safety in high-rise residential buildings. These include misalignment in incentives, information asymmetry, and an imbalance in influencing decision making (the principal-agent problem[5]). There is a misalignment in incentives between the accountable person(s) managing the safety of a building[6] (agent) and the residents of that building (principal). This is because residents often bear the risk to life of an unsafe building whereas the accountable person(s) are responsible for maintaining the safety within the building, as well as having the authority and agency to make them safe. This is compounded by an information asymmetry whereby owners of buildings are not required to engage residents, so residents may lack an understanding of how their building is being managed and are able to engage with, or influence decision making.

9. In extreme cases there can be a negative externality problem: that is where a cost is suffered by a third party as a consequence of an economic transaction. When a building is constructed, refurbished or managed, there are a series of decisions that take place between economic agents that may not include consideration of, or engagement with, those living in the building (the residents). This could lead to safety being compromised, for example, through negligence, shortcuts, incompetence or insufficient oversight, leading to negative impacts on mental health and potentially extreme negative externalities, such as injury and death.

10. The interventions covered in this Impact Assessment will help to ensure that buildings are managed properly with respect to fire and structural safety. Accountable persons will have clarity on what is required to undertake their role, and the necessary systems and information in place to do so. The engagement and information requirements mean it will be easier for residents to understand and access relevant building safety information and engage with decision making about managing safety in their building. Overall, the interventions will help to mitigate the risk of major fire incidents or structural failure and avoid systemic failures in the industry. The 'Benefits' section below explores this in more detail.

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[3] Building Safety Bill Impact Assessment: https://publications.parliament.uk/pa/bills/cbill/58-02/0139/BuildingSafetyBillImpactAssessment.pdf

[4] The costings analysis provided at the consultation stage can be found here: https://www.gov.uk/government/consultations/consultation-on-the-new-safety-regime-for-occupied-higher-risk-buildings/consultation-on-the-new-safety-regime-for-occupied-higher-risk-buildings#update-to-part-4-of-the-building-safety-bills-regulatory-impact-assessment--economic-annex

[5] This is a conflict in interests and priorities when one person or entity ('agent') takes actions on behalf of another entity ('principal').

[6] This misalignment also occurs during design and construction stage but this Impact Assessment only consider the impacts during the in-occupation stage, there is a separate Impact Assessment on Part 3.

## Rationale and evidence to justify the level of analysis used in the Impact Assessment (proportionality approach)

11. This Impact Assessment has been prepared in relation to the secondary legislation relating to Part 4 of the Act. The policy intent has been operationalised and the cost estimates refined since the Impact Assessment for introduction of the Act (then Bill) in Parliament was undertaken. The Department of Levelling Up, Housing and Communities (the department) has worked extensively with a range of interested parties including: the Health and Safety Executive (HSE), Home Office and industry stakeholders and representatives in refining and developing both the detail of policy, and how it will be operationalised, and the assumptions that underpin the Impact Assessment.

12. In this Impact Assessment, it has not been possible to state the cost estimates of the proposed regime with certainty for all the new requirements. As such, a wide range of possible cost estimates have been presented for most sections. The assumptions underpinning the analysis are the best estimates available at the time of publication.

13. The cost estimates have been broken down to align with the duties and requirements set out in the Act. The different requirements of the Act are interlinked, and cost estimates attributed to one area could feasibly be argued to fall under another. The allocation of cost to a duty or requirement, however, does not impact the overall estimates.

14. Analysis presented in this Impact Assessment has drawn significantly on the experience of work carried out on high-rise buildings by PRP Architects and modelling by Adroit Economics as part of a consortium contracted by the department. Cost estimates for the Regulator have been aligned, as far as possible, with financial and operational modelling by the Health and Safety Executive.

15. As part of our analysis, we have considered a counterfactual. This has been done in two ways:
- An estimate of the costs incurred from the additional time and resources now legally specified as a requirement in the Act.
- Discounting a proportion of buildings that are already undertaking these activities, as part of their existing management arrangements.

16. This approach ensures that, as far as possible and where appropriate, we have only estimated costs for additional activity resulting from the new requirements. We are aware that there are some in the sector that already undertake some of the activities that the new legislation requires, however, many are not managing their higher-risk buildings as we would expect, and this has been taken into account in the modelling.

17. Where we have calculated cost estimates on a per-building basis, they have been based on a series of assumptions that we estimate represent the average[7]. Where buildings have been well

[7] The average here is the arithmetic mean.

managed and operated, the costs of delivering the new duties and requirements are likely to be lower. Conversely, if a building has been badly managed and risks have not been addressed, the costs are likely to be higher.

## Description of options considered

*Option 0 – do nothing*

18. This option means not introducing any secondary legislation for Part 4 of the Act. The primary legislation alone would govern requirements and no further detail about the statutory requirements under Part 4, or the enforcement and appeals process, would be set out in legislation. If we were to take this approach, key elements about the way in which the in-occupation regime for building safety is to operate would not be included, risking an unimplementable regulatory regime for occupied higher-risk buildings. This would result in uncertainty about to undertake the exact duties placed upon the principal accountable person and accountable person(s) and how to carry out the requirements under Part 4 of the Act.

19. While the Regulator could set out the in-occupation regime in guidance, the absence of regulations would mean that any act of non-compliance could not be enforced against. This lack of clarity and certainty would make it difficult for the Regulator to regulate the new regime for occupied higher-risk buildings. In summary, this option would fail to carry out Dame Judith Hackitt's recommendations to make sure that higher-risk buildings are managed safely and residents are kept safe.

*Option 1 – introduce the affirmative and negative Regulations under Part 4 of the Act (preferred option)*

20. Option 1 is to set out further detail on the in-occupation regime under Part 4 of the Act through secondary legislation. This is the preferred option, as this will place clear legal responsibilities on those who are responsible for the management of structural and fire safety in occupied higher-risk buildings, provide the Regulator with enforcement powers to deter and remedy non-compliance and give residents a stronger voice in the system, ensuring they have access to a wide range of building safety information and the opportunity to contribute to the decision-making for their homes. These Regulations will implement the government's ambition for long-lasting reform for building safety.

## Policy objective

21. This section sets out the contents of the affirmative and negative Regulations and the intended outcomes of the various policy measures in the Regulations made under Part 4 of the Act[8].

### The Accountable Person

22. As part of her report, Dame Judith Hackitt recommended that there needed to be a clear and identifiable dutyholder responsible for building safety for the whole building. These dutyholders, during the occupation and maintenance of higher-risk buildings, should manage fire and structural safety for the part of the building for which they are responsible, and identify and make improvements where reasonable and practicable.

23. In many cases, the identity of the building owner is clear. However, there are buildings within the residential sector with complex ownership structures. This has resulted in a lack of transparency, and ultimately accountability, for the safety of higher-risk buildings. Furthermore, Dame Judith Hackitt's review identified that there is inadequate regulatory oversight and enforcement in relation to higher-risk buildings.

24. To address the cases where there is ambiguity as to the ownership of the building, section 72 of the Act defines the person who will have responsibility for duties as detailed in Part 4 of the Act. In relation to higher-risk buildings on commonhold land, the Act defines the commonhold association as the accountable person. Otherwise, it defines the accountable person as either a person who holds the legal estate in possession of any common parts of the building or as a person who has the relevant repairing obligation in relation to any common parts. The common parts of a building for the purposes of Part 4 of the Act are defined in section 72(6).

25. Section 73 defines the principal accountable person with reference to the exterior and structure of the building. The principal accountable person will have further duties to ensure that a whole building approach is taken in relation to fire and structural safety management.

26. By identifying the person who is responsible for the repair of the common parts, the statutory definition ensures that management of fire and structural safety is carried out by the most appropriate person. This is because this person can also raise funds through either the service charges, or rents, to fund the mitigations needed to ensure fire and structural safety risks are managed, proportionately, to reduce the severity of an incident arising from those risks.

[8] Higher-risk buildings for Part 4 of the Act (the in-occupation requirements) are defined in section 65 of the Building Safety Act 2022 and the Higher-Risk Buildings (Descriptions and Supplementary Provisions) Regulations 2023. For the in-occupation part of the regime, higher-risk buildings are defined as buildings with at least two residential units which are at least 18 metres in height or have at least seven storeys. These regulations can be found here: https://www.legislation.gov.uk/uksi/2023/275/contents/made

27. The principal accountable person and the accountable person(s) will be required to comply on an ongoing basis with the statutory requirements of Part 4 of the Act, and of Regulations made under these powers.

28. The Higher-Risk Buildings (Key Building Information etc.) (England) Regulations 2023 make clear the parts of a higher-risk building for which an accountable person is responsible[9], therefore providing further clarity as to who is responsible for the statutory duties under Part 4 of the Act for each part of the building. The framework provided by the Act and the associated Regulations, will help accountable persons determine who is responsible if there is any disagreement between parties, for example, where certain parts of the building have not been demised in the lease.

## Registration

29. In Dame Judith Hackitt's 'Independent Review of Building Regulations and Fire Safety', she found that the existing regulatory system during occupation and maintenance of high-rise residential buildings was not fit for purpose and recommended national regulation of these buildings[10].

30. The first step in government implementing this is through placing a duty (section 77 of the Act) on the principal accountable person to apply to register their higher-risk building with the Regulator. The requirement on principal accountable person to register their building came into force in April 2023[11], with the sector able to register their buildings through the Regulator's online registration web portal[12].

31. A separate Impact Assessment[13] covers the costs and benefits of registration; however, we have included the wider impacts of registration as part of our consideration of the new regulatory regime within this Impact Assessment.

## Building Assessment Certificate

32. Dame Judith's report also set out that a whole building approach needed to be taken, where the safety of the building is regularly and proactively managed by the dutyholders.

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[9] https://www.legislation.gov.uk/uksi/2023/396/regulation/26/made

[10] Please see reference to this in page 50 of the Independent Review of Building Regulations and Fire Safety: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/707785/Building_a_Safer_Future_-_web.pdf

[11] https://www.legislation.gov.uk/uksi/2023/315/introduction/made

[12] https://www.gov.uk/guidance/register-a-high-rise-residential-building

[13] https://www.legislation.gov.uk/ukia/2023/36/pdfs/ukia_20230036_en.pdf

33. Within the Act, therefore, the government included provisions to establish the requirement for the principal accountable person to apply for a building assessment certificate. To obtain a building assessment certificate the principal accountable person will need to demonstrate to the satisfaction of the Regulator that they are meeting the Part 4 duties as set out within section 81 of the Act.

34. These duties include:

- the assessment and management of building safety risks;
- the production of a safety case report;
- duties in relation to mandatory occurrence reporting;
- provision of information to residents, the Regulator, other accountable persons, owners of residential units and any other prescribed person; and
- the production of a resident engagement strategy.

35. Responsibility for meeting the above duties lies with the principal accountable person and accountable persons for the building, who are also under an ongoing duty to assess and manage their building safety risks at all times.

36. The Higher-Risk Buildings (Management of Safety Risks etc) (England) Regulations 2023 set out that a principal accountable person will be directed by the Regulator to apply for a building assessment certificate within 6 months of a building becoming occupied. For existing buildings, the Regulator will decide which buildings to assess based on the height and number of dwellings, and priority will be given to buildings based on a set of criteria determined by the Regulator, and to be published on its website. In addition, these Regulations set out the documentation and information to be contained within an application for a building assessment certificate.

37. The regulations detail the process through which the Regulator will assess performance of accountable persons within higher-risk buildings. The certification process, and required documents and supporting evidence, enable the Regulator to check that the principal accountable person and accountable person(s) are complying with their duties in Part 4 of the Act. The certification process is essential to provide confidence to interested parties, such as leaseholders and tenants, that building safety is being managed effectively and appropriately within the building.

38. In addition, the Regulations set out the information the Regulator must include on the building assessment certificate, or on a notice to refuse a certificate. The Regulator will also publish its timeframe for issuing directions to apply for a building assessment certificate and we expect that all buildings will be re-assessed on a 5-year cycle, taking a risk-based approach formulated on the physical characteristics of the building. However, the Regulator can direct the principal accountable person to apply sooner than 5 years if necessary.

39. The Regulator will issue a building assessment certificate if satisfied that all relevant duties are being complied with, thereby enabling them to hold to account principal accountable persons and accountable persons and ensure compliance with section 81 duties. The certificate must be displayed within the building, to provide assurance to residents that the principal accountable persons and accountable persons are managing building safety risks for the whole building.

40. The Regulations out the way in which the assessment process will be undertaken to ensure that the process for applying for, and issuing, Building Assessment Certificates is standardised and clear to those involved. They also ensure that there is a clear duty on principal accountable persons to maintain and update the documentation regularly, so they can provide it to the Regulator as and when required.

41. These provisions implement Dame Judith's recommendations to provide greater transparency and accountability in the management of building safety for higher-risk buildings. The Building Assessment Certification process will help to ensure that building owners, that is principal accountable persons and accountable persons are held to account by the Regulator in meeting their building safety duties under Part 4 of the Act.

42. The Building Assessment Certification process will also improve transparency through the duty to display the certificate in the building, and the requirement placed on the Regulator to include the date on which it was issued on their national higher-risk building register. The register will be available to the public online. providing assurance to interested parties. In turn, this should incentivise principal accountable persons. And accountable persons to meet their duties under the Act.

**Golden thread**

43. Dame Judith Hackitt found that the existing rules on the creation, maintenance and handover of building and fire safety information are ineffective. She, therefore, recommended a golden thread of information to ensure the required information is available to safely manage a higher-risk building. The Act mandates that a golden thread of information must be in place for all higher-risk buildings.

44. Section 88 of the Act sets out that the principal accountable person and the accountable person(s) must keep prescribed information and copies of prescribed documents. Where they do not hold prescribed information or a copy of a prescribed document, they must obtain it, except where it is not practicable to do so. The Act also sets out that they, as far as possible, should keep such information up to date.

45. The draft Higher-Risk Buildings (Keeping and Provision of Information etc.) (England) Regulations 2023 set out the specific information and documents that the principal accountable person and accountable person(s) will have to electronically store and will form the golden

thread of information. These information and documents will enable the principal accountable person and accountable person(s) to meet their duties under the Act (particularly sections 83 and 84) to assess and manage building safety risks, and provide the required information, such as the key building information, mandatory occurrence reporting, or the resident engagement strategy to the Regulator.

46. The Regulations set out the information and documents that must be digitally recorded in the golden thread. This includes: the information required for registration, the information required to be submitted as part of the building assessment certificate application, mandatory occurrence reports, plans of the building and so on.

47. The principal accountable person and accountable persons must keep this information up to date, and to the required digital standards. This will include ensuring that the information is accessible, secure and can be transferred. They also need to ensure that only relevant information is kept in the golden thread. Keeping irrelevant information and/or documentation could undermine the purpose of the golden thread, as it could make it difficult to find relevant information. Some information will need to be kept permanently, while some information may only be needed for a limited period.

48. These golden thread duties will also ensure the principal accountable person and the accountable persons have the information they need about their occupied higher-risk buildings to meet their statutory duties to assess and manage building safety. The Regulator will be able to request any information from the golden thread to ensure that the principal accountable person and accountable persons have the information they need about their building to meet their duties effectively.

49. Having a golden thread information will enable the people responsible for a building to manage it in a way that ensures the safety of residents and those working in the building or in the surrounding area. Managing this information is critical a to ensure that people can trust that the information is accurate and up to date.

**Duties on the principal accountable person and accountable person(s) to provide information**

50. Dame Judith Hackitt identified that information is an essential part of maintaining building safety but that it was often incomplete, non-existent, or not accessible, making it difficult for people involved in managing the building, and enforcing authorities, to obtain the information they needed. She also identified that it was difficult for residents to obtain accurate and up to date information about the building where they live. She made clear that any organisation responsible for enforcing building safety would need information and data to robustly enforce the new regime.

51. That is why sections 89 and 90 of the Act place duties on the principal accountable person and accountable person(s) to share information with prescribed persons and to hand over information to any new principal accountable person or accountable person on change of ownership/ responsibility for all or part of the building.

52. The Act sets out a requirement for the principal accountable person and accountable persons for a higher-risk building to share information from the golden thread with each other, the Responsible Person under the Regulatory Reform (Fire Safety) Order 2005, residents, the Regulator and other prescribed persons, such as landlords of residents.

53. The draft Higher-Risk Buildings (Keeping and Provision of Information etc) (England) Regulations 2023 specify the information the principal accountable person and accountable persons must provide to these prescribed persons and when this information has to be provided. The Regulations set out that the principal accountable person or the relevant accountable person must provide the information (as specified in the Regulations) to the prescribed persons as soon as reasonably practicable. This is to ensure that the information is provided promptly and can be used as required by the prescribed person. This will help support greater openness and transparency across the sector and ensure residents can access information about the building where they live.

54. The Regulations set out that the principal accountable person or the relevant accountable person must provide residents (and owners of residential units) with accurate and up to date information about their building. This information must also cover what residents must do to make sure that their building is safe. Dame Judith was clear of the importance of ensuring that residents of higher-risk buildings were able to understand the safety systems in place in their building, and that residents, therefore, need access to a wide range of information about their building.

55. The Regulations set out that the accountable person will have to provide residents with information such as the measures in the building to reduce fire safety risks, contact information for building safety matters and information pertaining to residents' rights. Section 92 of the Act gave residents the right to request further information about building safety in their building and these Regulations also set out the further information that residents are able to request.

56. The Regulations also set out that if there are multiple accountable persons for a higher-risk building then they must share the information within the golden thread with each other.

57. Furthermore, the Regulations also set out that the principal accountable person or the relevant accountable person must provide the Responsible Person (if they are not an accountable person for that building) with information such as plans of the building as built (if they are available).

58. The regulations set out that if there is building work in a higher-risk building, that the client for that building work (if they are not an accountable person) must be provided with necessary information to ensure that building work does not undermine fire and structural safety. For example, building works may require the temporary removal or alteration of measures that are

in place to prevent fire spread. The client needs to understand what these are and provide effective temporary solutions. Planned routine maintenance and repair schedules may also need to be altered during those times. The Regulations set out that the accountable persons must provide the client with information such as information relevant to fire safety management for the part of the building in which the building work is taking place.

59. The Regulations set out that if a principal accountable person or accountable person for the building is about to enter insolvency proceedings, then they must notify the Regulator. It is essential that the Regulator has this information as it could impact on the safe management of the building. Once the Regulator has been notified, then it will take action (where necessary) to support the insolvency practitioner with regard to the safe management of the building.

60. The Regulations set out that if a resident has been issued with a contravention notice, the accountable person must provide the landlord of the resident (if applicable) with a copy of the contravention notice.

61. Section 90 of the Act sets out that if a principal accountable person or accountable person leaves their role, they must hand over the golden thread information to the new principal accountable person/ accountable persons. These Regulations also set out the information to be provided.

62. The Regulations set out the exemptions to the principal accountable person and the accountable persons' duty to share the information and where and how these exemptions apply. For example, the principal accountable person and accountable persons may not have to share information where there are issues related to security, commercial sensitivity and personal data dependent on who the information is being shared with and whether the information can be redacted without removing the material content. In certain circumstances, the principal accountable person and accountable person will have to share information that has either security, commercial or personal data considerations[14] so the Regulations also remove any liability on the principal accountable person and accountable persons for disclosing this information.

63. The Regulations will ensure that all the persons responsible for fire and structural safety in a higher-risk building (principal accountable person, accountable persons, the Responsible Person and the client) have the necessary information to perform their role, that residents are able to access information relevant to the building where they live, and regulators have the necessary information to ensure compliance with the duties under Part 4 of the Act.

**Principles for managing building safety risks and the safety case report**

[14] For example, where the accountable person is deemed the controller of data under the Data Protection Act 2018.

64. Dame Judith Hackitt made clear that the regulatory framework and regime for the management of fire and structural risks in residential blocks of flats was inadequate and needed to be improved and recommended a safety case regime. She was also clear that the focus of the regime should be on fire and structural risks which threaten the safety of large numbers of people in a single incident.

65. Safety case regimes have been successful in improving safety standards and reducing incidents across a number of sectors, including railways and airlines. The Act, therefore, sets out a safety case regime for occupied higher-risk buildings. Under this approach, the principal accountable person and accountable person(s) must proactively demonstrate that their arrangements for assessing and managing building safety risks are suitable and proportionate.

66. Sections 83 - 86 of the Act set out the duties with regard to assessing and managing building safety risks and includes provision of powers to set out further duties on the principal accountable person and accountable person(s) to follow prescribed principles in their management of building safety risks. In addition, they place duties on the principal accountable person to produce, and keep updated, a safety case report for the purpose of demonstrating that building safety risks have been properly assessed, and that suitable and proportionate arrangements are in place to manage them on an ongoing basis.

67. The Higher-Risk Buildings (Management of Safety Risks etc) (England) Regulations 2023 further address the systemic problems highlighted by Dame Judith Hackitt, by introducing a new regulatory framework that moves away from tick-box compliance to an outcomes-focussed regime.

68. The Regulations will provide an overview of the content that must be included within a safety case report, thereby enabling the principal accountable person and accountable person(s) to focus on how they manage building safety risks. Those accountable for higher-risk buildings must ensure reasonable steps are taken to manage the spread of fire and structural safety risks through prevention, control and ongoing management, taking into account both building safety and cost. They must set out and justify their approach in their safety case report, which will then be assessed by the Regulator, usually as part of an application for a building assessment certificate, which will assess whether the relevant duties are being complied with.

69. The Regulations also set the framework for ensuring the Regulator is notified when a safety case report has been amended and the detail of changes made. They establish the process for submitting a safety case report, should the principal accountable person be required to do so by the Regulator.

70. The Regulations place duties on the principal accountable person and accountable person(s) to follow prescribed principles in their management of building safety risks. This should help improve fire and structural safety outcomes in higher-risk residential buildings by providing a best practice framework for the principal accountable person and accountable person(s) to follow, based on established risk management approaches. It will improve industry competence in managing these risks and provide assurance to residents that their buildings are safe and are being well managed.

71. The production and maintenance of a safety case report will further demonstrate that the principal accountable person and accountable person(s) have taken all reasonable steps to manage building safety risks, by providing documented evidence that risks relating to the spread of fire and structural failure have been properly assessed and are being effectively and proportionately managed on an ongoing basis.

72. The Regulator will review a safety case report as part of the principal accountable person's application for a building assessment certificate and can require the report to be submitted at any time, if necessary. The safety case report will therefore provide a means through which the Regulator can monitor and review the principal accountable person and accountable person(s) compliance with duties placed on them by the Act.

## Enforcement

73. Dame Judith Hackitt outlined that the new building safety regime for higher-risk buildings required strengthened enforcement powers to encourage safe buildings from the outset and to hold those who wilfully fail to comply with their statutory obligations accountable.

74. The Act introduces a stringent enforcement regime to target issues affecting the safety of occupied higher-risk buildings through the use of compliance notices and prosecution. The Higher-Risk Buildings (Management of Safety Risks etc) (England) Regulations 2023 will impact accountable persons, as they will be the recipients of compliance notices.

75. The Regulations require that compliance notices contain information on the date of issue, name and description of the accountable persons, the building or part of the building where the breach occurred, a description of the breach, details of the route of appeal to the First-tier Tribunal among other administrative details.

76. The Regulations ensure that compliance notices make clear to recipients the remedial action required and the consequences of failing to carry out this work.

77. The Regulations also set out how the Regulator can withdraw compliance notices as and when required.

78. Ensuring compliance notices contain the correct information will enable recipients of notices to carry out the required remedial work required by the set date. This will make sure that occupied higher-risk buildings are made safe as soon as issues arise.

79. The Regulations will also allow the Regulator to avoid appeal proceedings in relation to compliance notices by giving it the power to withdraw notices where notices contain incorrect information or are disproportionate. This will simplify matters for the Regulator, the recipient and the First-tier Tribunal.

80. In line with Dame Judith's recommendations, these Regulations put into effect measures through which the Regulator can hold dutyholders criminally responsible for non-compliance with their legal duties to build and manage safe buildings.

## Reviews and appeals

81. The government is committed to delivering swift access to justice. The review and appeals process is designed to be collaborative, fair and transparent. Where disputes arise over higher-risk building decisions and enforcement actions, the first stage is informal discussion and mediation between the parties. Decisions under Part 4 of the Act which can be appealed will go through an internal review process by someone independent of the decision being reviewed.

82. The Building Safety (Registration of Higher-Risk Buildings and Review of Decisions) (England) Regulations 2023 use the powers in section 25 of the Act to set out which decisions under Part 4 of the Act are eligible for internal review by the Regulator. The decisions that can be appealed are those around the registration and certification of occupied higher-risk buildings. Those are, firstly, where the Regulator refuses to place a building on the register or removes it. Secondly, where the Regulator declines an application for a building assessment certificate, which the applicant believed demonstrated that accountable persons were meeting relevant duties. Finally, where the Regulator gives a direction under section 83(2) with regard to a safety case requirement.

83. The Regulations will provide a swift and fair decision-making process with suitable redress. By prescribing that parties must seek to mediate via internal review by the Regulator rather than through the Tribunal, the policy follows Ministry of Justice guidance and aims to prevent further over-burdening the judiciary.

## Mandatory occurrence reporting

84. Dame Judith Hackitt identified that while mechanisms exist to report safety issues around the structural integrity of a building, there is no coherent approach to reporting issues during the construction or occupation of higher-risk buildings and recommended that a system of mandatory occurrence reporting, similar to that employed by the Civil Aviation Authority[15], should be set up for higher-risk buildings.

85. Section 87 of the Act sets out a requirement for the principal accountable person of a higher-risk building to establish and operate an effective mandatory occurrence reporting system for the reporting of safety occurrences during occupation.

[15] For details see: https://www.caa.co.uk/our-work/make-a-report-or-complaint/mor/occurrence-reporting/

86. The Higher-Risk Buildings (Management of Safety Risks etc) (England) Regulations 2023 require the reporting of certain significant fire and structural safety issues ('safety occurrences') to the Regulator.

87. These require the principal accountable person to establish and operate an effective mandatory occurrence reporting system, which complies with Regulations, to enable accountable persons, residents and those managing or working on the building to report incidences, which may be a reportable safety occurrence, to the principal accountable person or accountable person(s). These will need to be reported in turn to the Regulator by the principal accountable person through the mandatory occurrence reporting system.

88. The Regulations prescribe that the principles of an effective reporting system are that it should:

a. Be known to, understood by, and accessible to accountable persons;
b. Form an ongoing, integral and regular part of the building safety risks management process;
c. Maintain a whole-of-building approach and be built to facilitate urgent reporting of safety occurrences;
d. Identify and capture safety occurrences; and
e. Allow safety occurrences to be formally reported to the Regulator as soon as is practicably possible and within the mandated time.

89. The Regulations require that the principal accountable person or accountable person (s) notify the Regulator of the safety occurrence through the reporting system established by the Regulator.

90. This information is to be stored as part of the golden thread for that particular building for a period of time. The minimum period of time is until the next building assessment is carried out by the Regulator, and longer if the incident remains relevant.

91. The criteria for when a safety occurrence is reportable are set out in the Regulations as where:

a. an incident or situation relating to the structural integrity or spread of fire of a higher-risk building that meets the "risk condition"; and
b. the "risk condition" is use of the building without the incident or situation being remedied, that would be likely to present a risk of a significant number of deaths, or serious injury, to a significant number of people.

92. Where the principal accountable person or accountable person(s) becomes aware of a safety occurrence, they are required to notify the Regulator of the safety occurrence as soon as reasonably practicable and provide the Regulator with a written report containing required information (detailed above) within 10 calendar days of becoming aware of the occurrence.

93. Given the serious nature of the incidences which fall under mandatory occurrence reporting, it is imperative that reports are made and submitted without delay. This is to ensure

that the Regulator can take any immediate action necessary, be that the sharing of useful safety information with industry and/or further investigation or enforcement measures.

94. These Regulations ensure that the Regulator can capture any risks that could have a potential impact on fire and structural safety and assess the relevance of these risks to other buildings. They also help drive intelligence-led enforcement, promote safety-conscious culture change, and improve safety standards and best practice across the built environment.

**Residents' Voice**

95. Dame Judith Hackitt identified that residents were frustrated about the frequency and quality of information about building safety that was being provided to them. She identified a need to rebuild trust by creating a system where residents feel informed. Further, Dame Judith pinpointed the lack of involvement of residents in the safety of their buildings and recommended that residents should be involved in discussions on safety. To offer residents recourse, she also recommended that there should be a clear and direct route of escalation and redress. In addition, Dame Judith made a series of recommendations relating to the rights of residents of higher-risk buildings.

96. The Act implements these recommendations by including duties on the principal accountable person/ accountable person(s) with regard to engaging with residents (sections 89 and 91 to 94) The sections in the Act cover the following areas:

- Providing residents with building safety information - all residents must be kept informed about the safety of their building and receive building safety information. Residents are also able to request further information from the principal accountable person/ accountable person(s) who are responsible for the part of the building in which they live.

- The residents' engagement strategy - the principal accountable person must establish a residents' engagement strategy, which promotes the participation of all residents in decisions about their building's safety relating to fire and structural failure and sets out how and when residents will be consulted.

- Complaints - the principal accountable person must establish and operate a system for the investigation of relevant complaints[16]. Where a complainant believes their safety concerns have not been adequately resolved, they will have the right to escalate their complaint to the Regulator.

97. Sections 95-97 in the Act set out how residents can play a role in keeping their higher-risk building safe from structural and fire safety risks. The Act places safety-related obligations on

[16] A relevant complaint is a complaint relating to a building safety risk or a complaint regarding the performance by an accountable person for the building of any duty under, or under regulations made under Part 4 of the BSA.

residents to help them to play their part. Where they fall short of their obligations, the accountable person(s) can pursue compliance through the County Court.

*Mandatory information (providing residents with building safety information)*

98. The relevant accountable persons must provide all residents over the age of 16 with information relating to measures to reduce the risk of fire and ensure the structural integrity of the building. This will include i) a summary of the most recent fire risk assessment, ii) a summary of the measures in place to mitigate the potential spread of fire and any building structural safety risks, iii) information on how residents can reduce the risk of fire, iv) how to report a building safety risk, and v) information about escape routes and procedures to follow in a fire.

*Residents' Engagement strategy*

99. The Higher-Risk Buildings (Management of Safety Risks etc) (England) Regulations 2023 will require the principal accountable person to have a residents' engagement strategy for the building they are managing. This strategy must set out the information to be provided to residents about decisions relating to building management, what they will consult residents on, and the aspects of a decision residents will have a say in. The strategy must also detail how the accountable persons will consult residents and how they will review the appropriateness of their strategy.

100. Each accountable person in the building must provide a written copy of the residents' engagement strategy to every resident who is 16 and over whom they are aware of in the area for which they are responsible and to each owner of a residential unit in that part of the building.

101. The principal accountable person must consider the format the residents' engagement strategy should be provided in so that allows residents to clearly understand the aims and content of the strategy and promotes resident participation in building safety decisions.

*Request for information*

102. The Regulations also set out that the principal accountable person/ accountable person(s) must share, on receipt of a reasonable request from a resident, information that allows residents to play an active role in building safety strategy and in the safety of their higher-risk building, including information about the building safety features and measures. The request for information must be fulfilled as soon as it is reasonably practicable to provide it or the resident informed as to why they will not be able to comply with the request.

103. If the resident does not receive the information requested, or are not satisfied with the information provided, they can complain under the residents' complaints procedure established and operated by the principal accountable person.

104. We believe that the principal accountable person/ accountable person(s) will be best placed to understand the specific requirements of the residents in their building, and to be able to adapt their engagement to meet the requirements of their residents. It is, therefore, for the

principal accountable person, working with other accountable persons, to establish how best to seek views from the residents of a higher-risk building

*Complaints*

105. A relevant complaint is defined in sections 93 and 94 of the Act as a complaint relating to:
- a 'building safety risk' - a risk to the safety of people in or about the building arising from either the spread of fire of structural failure; and
- the performance by an accountable person with regard to their duties.

106. To make sure complainants know how to raise a building safety issue and how their concern will be addressed, the Regulations require the principal accountable person to operate a complaints policy.

107. There will be no restriction on who can make a relevant complaint, providing that it meets the definition of a 'relevant complaint' set out in the Regulations. This means, for example, that a contractor working in the building who identifies a building safety issue could raise a concern.

108. As a minimum a complaints policy must include:
- How to make a complaint and the definition of a 'relevant complaint';
- The stages of the complaint process and the potential outcomes;
- How a complainant can challenge the decisions about a complaint and comment on any findings during an investigation;
- The expected timeframes for handling and investigating a complaint and service standards a complainant can expect; and
- The complainant's right to escalate a complaint to the Regulator and how a complaint may be escalated

109. The complaints policy will be part of the information which accountable persons provide to residents and must be available on request. It therefore must conform with the requirements of the mandatory information Regulations.

110. The Regulations therefore mean that all residents will be kept informed about the safety of their building and will automatically receive mandatory building safety information. They will also be able to request further information from their accountable person relating to building safety.

111. The residents' engagement strategy, which the principal accountable person must also establish will promote the participation of all residents in decisions about their building's safety, and will set out how and when residents will be consulted.

112. The Regulations also mean that residents[17] have a clear route for raising concerns to the principal accountable person for their building and where a complainant believes their safety concerns have not been adequately resolved, to the Regulator.

*Contravention Notices*

113. Dame Judith Hackitt identified that residents have a role to play in keeping their buildings safe. This mean they should maintain building safety features in their own flats and cooperate with dutyholders to ensure that safety checks can be carried out. The Act and the Higher-Risk Buildings (Management of Safety Risks etc) (England) Regulations 2023 therefore place safety-related obligations on residents to help them to play their part.

114. The Act places three obligations on residents to support the work of the principal accountable person and the accountable person(s) in keeping the building safe. Residents must:

- not act in a way that creates a significant risk of fire or structural failure;
- not interfere with a relevant safety item e.g. sprinklers, smoke and fire alarm systems; and
- comply with a request by the accountable person for information reasonably required to allow the accountable person to assess and manage building safety risks.

115. We anticipate that the majority of residents will already be fulfilling these obligations. The combination of better information and improved engagement by the principal accountable person or relevant accountable person will help ensure that all residents understand the important role they can play in keeping their home and the building they live in safe.

116. Where a resident is not complying with their building safety obligations, the relevant accountable person can issue a contravention notice. If a resident does not comply with a contravention notice, the relevant accountable person can escalate this with the County Court, which will be able to determine whether it should be enforced. In many cases where issues are identified, the relevant accountable person will be able to resolve the issues informally by speaking to residents directly, rather than by using a contravention notice.

## Summary and preferred option with description of implementation plan

117. The requirements provided for by the draft Higher-Risk Buildings (Keeping and Provision of Information etc.) (England) Regulations 2023 and Higher-Risk Buildings (Management of Safety Risks etc) (England) Regulations 2023 will come into force on 1 October 2023, and the Regulator will be responsible for the ongoing operation and enforcement of the new

[17] Residents include rented tenants, leaseholder (owner occupiers and those who rent out their properties) and others who reside in a flat in the higher-risk building.

requirements. These Regulations have been developed following extensive engagement with industry, pre-legislative scrutiny, scrutiny during the passage of the Act and two public consultations: one on the policy and proposals for the Act and more recently one on the policy and proposals for the Regulations. Our continued engagement with industry and affected stakeholders will ensure that the statutory duties can be complied with as soon as the regime comes into effect in October 2023.

## Monetised and non-monetised costs and benefits

### Total costs and benefits

118. The table below presents the total estimated costs of the regime. The costs in table 1 below represent the 'first-order' costs. These figures are an estimation of the total that is initially incurred by industry or the Regulator over the 15-year appraisal period. Industry costs for some building safety measures can be passed on to leaseholders. This is assessed in the 'Wider Impacts' section below. The costs to the Regulator included in the table below are gross costs, before cost recovery has been factored in. The Regulator intends to operate a cost recovery model, see the 'Costs to the Regulator' section below for more detail, and will pass the majority of its costs on to industry, who will in turn are likely pass these on to leaseholders.

119. We have not included the benefits in this table, as the benefits are estimated for the regime in its entirety, covering both the Part 3 Regulations (which have a separate Impact Assessment) and the Part 4 Regulations (considered here in this Impact Assessment). The benefits cannot be disaggregated between Parts 3 and 4, and we have not included them in the total assessment of NPV. The aggregated benefits have been included in the benefits section below (not in this table) to give a sense of scale, however, cannot be compared against the costs. The benefits are also subject to change as work on Part 3 progresses. Costs and benefits should not, therefore, be directly compared until the costs associated with Part 3 are fully assessed in the Impact Assessment for those parts of the Regulations.

**Table 1**: Total costs and benefits

| | **Total costs and benefits (NPV) (£m)** | | |
|---|---|---|---|
| | **Low** | **Central** | **High** |
| Costs to industry | £1,235.7 | £1,823.8 | £2,913.1 |
| Costs to the Regulator | £356.0[18] | £356.0 | £356.0 |

[18] Regulator costs have been presented for a central scenario only. This is to maintain consistency with the internal business case. These figures are informed by HSEs analysis and are unlikely to change.

| | | | |
|---|---|---|---|
| Benefits | See table 26 | See table 26 | See table 26 |
| **Total** | **£1,591.7** | **£2,179.8** | **£3,269.1** |

## General Assumptions

120. While many of the individual (policy) areas in the following sections will have their own assumptions (set out below for those areas) there are some broad assumptions that affect cost estimates for most, if not all, of the new regime.

*Building Numbers*

121. The department's published figures on the number of high-rise residential buildings estimate that as of April 2020 there were 12,500[19] 18m+ buildings in England. Using this figure as a base, we combined planning data and Office for Budget Responsibility (OBR) housing stock projections[20] to estimate the number of new buildings being completed each year (and therefore the estimated stock of 18m+ buildings). The number of new building completions is held constant after 2030, due to the uncertainty of projecting past this point. Table 2 below presents the building stock estimates. We estimate that, on average, there will be 430 new buildings completed per year over the appraisal period (15 years). Both industry and Regulator cost sections use the same building number assumptions.

**Table 2:** Building Stock Estimates

| **Year** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** |
|---|---|---|---|---|---|---|---|---|---|
| Building Stock | 12,500[21] | 12,900 | 13,300 | 13,800 | 14,200 | 14,600 | 15,000 | 15,300 | 15,700 |
| **Year** | **2029** | **2030** | **2031** | **2032** | **2033** | **2034** | **2035** | **2036** | **2037** |
| Building Stock | 16,200 | 16,600 | 17,100 | 17,500 | 18,000 | 18,400 | 18,900 | 19,400 | 19,800 |

*Regulator Cost Recovery*

122. The costs presented in the industry section below are the cost estimates for industry to comply with the Regulations. They do not include any additional fees or charges that will be levied by the Regulator (cost recovery) and represent the costs that fall initially on industry. The Regulator intends to operate at a 90% cost recovery rate across activities related to managing building safety in higher-risk buildings from 24/25 onwards. The cost recovery rate for the operational Regulator across all areas of delivery is 75% across the period 23/24 to 29/30. The Regulator will pass these operating costs on to industry via fees and charges (who may then

[19] Building Safety Programme Monthly Data Release England: February 2023 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1143191/Building_Safety_Data_Release_February_2023.pdf

[20] OBR Economic and fiscal outlook – November 2022 https://obr.uk/efo/economic-and-fiscal-outlook-november-2022/

[21] Figures in this table are rounded to the nearest hundred.

choose to pass those on to leaseholders). This Impact Assessment has not assessed the specifics of those fees and charges, and it is expected the industry will pass on all the costs they are able to and this includes Regulator fees, to leaseholders. The 'Wider Impacts' section below assesses the expected cost to leaseholders.

*Price year, present value year and appraisal period*

123. All the costs and benefits presented in the following analysis are in real terms, and in 2019 prices. The base year for the PV (present value) calculations is 2023 (the beginning of the appraisal period), and a discount rate of 3.5% has been applied (except for some specific benefits, see the 'Benefits' section for further detail).

124. The appraisal period for the costs is 15 years.

125. The benefit estimates have been calculated over a 75-year appraisal period. This includes benefits experienced in the 15-year policy appraisal period (equal to that used to estimate costs) and benefits that may persist over the lifespan of a building, assumed to be 60 years. This is to best capture all the benefits and reflects the Green Book guidance on 'persistence' of benefits. For example, benefits associated with residents' engagement are likely to last the 15-year policy period (or for a brief period thereafter), while improvements in the construction quality of new buildings will likely last the lifespan of the building. For the first 30 years of the appraisal period, a discount rate of 3.5% has been applied to costs and non-health related benefits and 1.5% to health-related benefits. For the subsequent 45 years, 3% and 1.29% discount rates have been applied respectively. This is in line with guidance in HM Treasury's Green Book[22].

## Costs to Industry

### Total Cost to Industry

126. Table 3 below presents the total cost to industry. The costs in the table have been presented in both equivalent annual cost (EAC) and net present value (NPV) terms.

[22] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf

**Table 3:** Total industry costs, annual and net present value[23]

| | **Annual cost (EAC) (£m)** | | |
|---|---|---|---|
| | **Low** | **Central** | **High** |
| Accountable Persons | £4.1 | £5.1 | £6.1 |
| Building Assessment Certificate | £0.5 | £0.7 | £1.0 |
| Golden Thread | £22.5 | £30.5 | £38.5 |
| Safety Cases | £41.4 | £69.7 | £128.8 |
| Enforcement | £0.7 | £0.9 | £1.1 |
| Reviews and Appeals | £0.2 | £0.2 | £0.3 |
| Mandatory Occurrence Reporting | £0.3 | £0.4 | £0.4 |
| Residents' Voice | £33.9 | £45.3 | £68.0 |
| General familiarisation[24] | £0.1 | £0.2 | £0.3 |
| | **£103.7** | **£153.0** | **£244.4** |
| | **Total cost over appraisal period (NPV) (£m)** | | |
| | **Low** | **Central** | **High** |
| Accountable Persons | £48.4 | £60.5 | £72.6 |
| Building Assessment Certificate | £6.1 | £8.5 | £11.3 |
| Golden Thread | £268.3 | £363.4 | £458.6 |
| Safety Cases | £493.3 | £830.9 | £1,535.2 |
| Enforcement | £8.4 | £10.6 | £12.7 |
| Reviews and Appeals | £2.1 | £2.6 | £3.1 |
| Mandatory Occurrence Reporting | £3.5 | £4.3 | £5.2 |
| Residents' Voice | £404.3 | £540.3 | £810.5 |
| General familiarisation | £1.3 | £2.6 | £3.9 |
| **Total** | **£1,235.7** | **£1,823.8** | **£2,913.1** |

[23] Figures may not sum due to rounding.

[24] This is to account for familiarisation that falls outside of any specific policy areas.

## General Industry Assumptions

127. In addition to the general assumptions set out above, there are a few assumptions that affect cost estimates for all the industry costs, but not costs related to the Regulator.

*Wage rates*

128. A substantial portion of the resource burden on industry arises from the time required for the appropriate people to conduct the activities needed to meet the requirements of the Regulations. As such, many of our estimates include the cost of individuals' time to conduct these activities. Estimates of wage rates for industry have been calculated using a combination of data from two sources. The first of these is wage rates for comparable roles (to those specified in the Regulations, accountable person(s), etc.) gathered from the Annual Survey of Hours and Earnings (ASHE). The second is a call out rate for specific roles, obtained by external consultants from speaking to industry directly. The data from these two sources are combined to form a blended wage estimate. Wage costs are assumed to grow in line with inflation, so stay constant in real terms.

*Section specific assumptions*

129. Assumptions in the industry costs section have been developed with extensive expert input from external consultants with industry experience.

*Familiarisation*

130. Industry will need to ensure that they are familiarised with the new regime, including the requirements and expectations of dutyholders, interactions with the Regulator and any guidance or published policy documents. The number of estimated persons that work on residential buildings over 18m was derived from a series of assumptions including the total number of employees in specific occupations[25], estimated numbers working in construction, the number working on ADB[26] (approved document B) related work, as well as consultant assumptions on the proportion of these that would be exposed to 18m+ work.

131. Exactly how individual dutyholders and building owners familiarise themselves may vary in practice, however, for the purposes of this assessment we have assumed it will fall into three broad areas: awareness raising within a firm, external events/training days and the costs of specific training. Table 4 below presents the total estimated cost of familiarisation. We assume the entire cost of familiarisation will fall in the first year of the appraisal period (2023).

[25] Taken from annual population survey and census data.

[26] https://www.gov.uk/government/publications/fire-safety-approved-document-b

132. The changes introduced through the Act are part of the government's wider programme of reform, for example amendments to the Fire Safety Order, to ensure a disaster like the one at Grenfell tower is not repeated. To meet the requirements of this wholistic package of changes, and in line with Dame Judith Hackitt's challenge not to wait for legislation before taking action, industry has been preparing and adapting in advance. While the cross-government reforms are interconnected, our estimates only consider the costs of familiarisation with the Act.

**Table 4**: Breakdown of familiarisation costs to industry[27]

| | Cost (NPV) (£m) | | |
|---|---|---|---|
| | **Low** | **Central** | **High** |
| Awareness raising within firm | £3.1 | £6.3 | £9.4 |
| External events/training days | £6.3 | £12.5 | £18.8 |
| Specific training | £0.9 | £1.8 | £2.7 |
| **Total** | **£10.3** | **£20.5** | **£30.8** |

133. Awareness raising within a firm is split into general familiarity and specific duties and requirements as set out in the Act and Regulations. General familiarity[28] is required by all relevant occupations that would be affected by the Regulations introduced under the Act, ranging from the clear cut (accountable persons, principal designer etc.) to the less obvious (housing officers, health and safety). We assume that nearly every relevant individual will spend, on average, 2 hours[29] familiarising themselves with the general changes to building safety requirements. For the specific obligations, we made assumptions about the occupations that would need to ensure they are aware of the regulatory requirements relating to that area. This Impact Assessment only considers familiarisation costs for general requirements and the areas that relate to Part 4, the in-occupation stage of the regime[30].

134. External events/training days are events where external expertise will be brought in (or individuals will attend training events at an external venue) to provide more detail on specific areas of the regime. We have assumed only a subset of person(s) from occupations relevant to the duties and requirements introduced by the Act and Regulations will attend these events, and that these events will last either half a day or one day.

[27] The total cost of familiarisation here excludes familiarisation costs for the gateways process (this is covered in the separate Part 3 impact assessment) and half of the cost of familiarisation for the golden thread (golden thread is split across parts 3 and 4, so its familiarisation is split between both Impact Assessments).

[28] General familiarity costs are split equally between Part 3 and 4.

[29] The exceptions are 'Estate agents and Valuers' and 'Other professionals', who are estimated to spend an hour each.

[30] An assessment of the Part 3 (design and construction) familiarisation costs are set out in the separate Part 3 impact assessment.

135. The third and final element of familiarisation is the cost of specific training individuals in certain roles will need to undertake. The external events and training days will provide an overview of the areas comprising the regime, specific training will be needed to equip individuals with the knowledge and capabilities required to meet the requirements and duties in those areas. The specific training is likely to be bespoke/ tailored, for example on developing a safety case and writing a safety case report.

136. The familiarisation cost for specific sections of the regime is presented in the relevant sections below (safety cases, golden thread etc.).

**Principal accountable person and accountable persons**

137. The accountable person is a defined role where the person is responsible for mitigating fire safety risks. The role requires the person performing the role to complete a number of duties to meet their obligations under Part 4 of the Act. Meeting these obligations will incur a cost in the form of the accountable person's time. All costs other than the costs set out in paragraph 151 below have been accounted for in the relevant sections of this Impact Assessment.

138. The cost of sharing information with residents on request is covered in the residents' voice section of this Impact Assessment. The cost of sharing information with other accountable persons is covered in the golden thread section.

139. The accountable person also has a duty to share information with clients when there is building work being done and they are not the client. The accountable person has a duty to share information such as building plans and information about fire and structural safety measures when it is requested by the contractor.

140. We have used an estimate of the number of works completed under the competent persons scheme (an average of 8.5 per building each year) as a proxy for the number of times the accountable person will need to share this information. We assume that it will take the accountable person 0.5 hours on average to share the information.

141. We estimate that over the 15-year appraisal period, the total cost of accountable persons to industry will be between £48.4m and £72.6m, with a central estimate of £60.5m, in present value (PV) terms. This equates to an equivalent annual cost (EAC) of between £4.1m and £6.1m over the appraisal period, with a central estimate of £5.1m.

**Building Assessment Certificate**

142. We estimate that over the 15-year appraisal period, the total cost of building assessment certificates to industry will be between £6.1m and £11.3m, with a central estimate of £8.5m, in present value (PV) terms. This equates to an equivalent annual cost (EAC) of between £0.5m and £1.0m over the appraisal period.

**Table 5:** Breakdown of BAC costs to industry[31]

| | Annual Cost (EAC) (£m) | | |
|---|---|---|---|
| | **Low** | **Central** | **High** |
| Complete application | £0.4 | £0.5 | £0.6 |
| Inspections | £0.1 | £0.2 | £0.3 |
| **Total** | **£0.5** | **£0.7** | **£1.0** |

143. Once a building has been registered with the Regulator, the principal accountable person must apply for a building assessment certificate, when they receive a direction from the Regulator. There are no specific familiarisation costs for the building assessment certification process. The process for applying for a building assessment certificate is instigated by the Regulator which issues a direction instructing the principal accountable person that they need to apply and submit prescribed documentation through the Regulator's online portal. The principal accountable person will simply need to follow the process, with any information needed covered by the general familiarisation requirements and costs.

144. To obtain a building assessment certificate the principal accountable person must complete a digital application form. The application must be accompanied by a copy of all the required documents as set out in the Regulations. We assume this will take the accountable person 1.9 hours per application on average.

145. The time estimate does not include the cost of gathering the information required to compile the required documents. The cost of this is included in the relevant sections of this Impact Assessment.

146. We assume that 90% of buildings will require an inspection before a building assessment certificate can be issued. This is to ensure that all building safety duties are being met. Building inspections will require engagement from the principal accountable person and accountable person(s). The form and length of individual building inspections will vary depending on the risk level of the building and the performance of the principal accountable person and accountable person.

147. Inspections will be either remote, virtual, or on-site. The principal accountable person may need to engage remotely with the Regulator during a remote inspection. This can be done from an office with no need for the principal accountable person to be on-site. For a virtual inspection, the principal accountable person will be expected to be on site to demonstrate remotely that the building meets the requirements to be issued with a building assessment certificate. The principal accountable person is expected to accompany the Regulator in person for an on-site inspection.

[31] Cost of completing application and inspections may not sum to total as figures have been rounded.

148. We assume 42% of buildings will undergo a remote inspection and this will require an average of 15 minutes of engagement from the principal accountable person.

149. We assume 46% of buildings will undergo a virtual inspection and this will require an average of 0.75 hours of engagement from the principal accountable person.

150. We assume 2% of buildings will undergo an on-site inspection and this will require an average of 1.25 hours of engagement from the principal accountable person.

151. Once a building assessment certificate has been issued the principal accountable person must display the certificate somewhere easily seen by residents. We assume this will take 5 minutes of principal accountable person time.

152. Building assessment certificates are valid for a maximum of 5 years and principal accountable persons will need to apply for recertification before this time. However, poor performing buildings will be directed to apply for recertification more frequently than this. We assume that satisfactory buildings will be directed to apply for recertification every 5 years and poor performing buildings will need to apply every 2 years.

153. Recertification will follow the same process as initial certification. We assume it will take the principal accountable person 1.9 hours to complete the application and submit the required documents for recertification.

154. We assume that 90% of buildings will need an inspection as part of the recertification process. As with initial certification we assume 42% of buildings will require a remote inspection, 46% will require a virtual inspection and 2% will require an on-site inspection.

155. We assume inspections for recertification will take 65% of the time of inspections for initial certification.

156. Once a new building assessment certificate has been issued, we assume it will take the principal accountable person 5 minutes to display the certificate.

**Golden Thread**

157. We estimate that over the 15-year appraisal period, the total cost of the golden thread to industry will be between £268.3m and £458.6m, with a central estimate of £363.4m, in present value (PV) terms. This equates to equivalent annual cost (EAC) of between £22.5m and £38.5m over the appraisal period. This is solely the cost of digitising and managing the digital information and the digital system. It does not include the cost of collecting the information which is set out in the safety case section. The breakdown of safety case costs to industry can be found in Table 6 below.

**Table 6:** Breakdown of golden thread costs to industry

| | **Annual Cost (EAC) (£m)** | | |
|---|---|---|---|
| | **Low** | **Central** | **High** |

| | | | |
|---|---|---|---|
| Creating and digitising full plans for existing buildings | £11.4 | £16.5 | £21.6 |
| Annual update of plans | £5.1 | £6.4 | £7.6 |
| Establishing and maintaining information (during occupation) | £5.9 | £7.4 | £8.9 |
| Familiarisation costs[32] | £0.1 | £0.2 | £0.3 |
| **Total** | **£22.5** | **£30.5** | **£38.5** |

*Familiarisation*

158. We have also assumed a one-off familiarisation cost to industry that can be associated with golden thread, estimated to be between £1.2m and £3.5m with a central estimate of £2.4m in present value terms (£0.1m - £0.3m on an EAC basis). This cost is assumed to be incurred in year 1 and covers raising awareness within firms of the policy change and employees attending external events to become familiar with the new policy.

159. The costs in the following section only relate to buildings in occupation (whether that be existing buildings or newly constructed buildings once residents have moved in). Golden thread costs that arise during the construction process will be consider in an separate Part 3 Impact Assessment.

*Existing Buildings*

160. Accountable persons for existing buildings will have to gather the information required to meet certification and safety management requirements. This information must be held digitally to effectively manage building safety risks and must meet the digital standards prescribed in Regulations. We have assumed that buildings that currently have no plans or inaccurate plans will carry out a two-dimensional Computer Aided Design plan and evaluation drawing (including adding fire safety and structural data to CAD plans), costing between £11,000 (low estimate) and £20,000 (high estimate) per building, with a central estimate of ~£15,000. While this is not the only way to create digitalised plans, and people may opt for a 3D CAD plan, 3D scans of the building or other methods, a digital 2D plan is considered the least costly, acceptable option. Using an alternative approach will incur a different set of costs. We assume there will not be an additional cost for software to use the outputs of a Construction Operations Building Information Exchange (COBie) file because accountable persons are likely to already own suitable spreadsheet software such as Microsoft Excel (or they will transfer their outputs into their own

[32] Half of the costs of familiarisation for golden thread will be captured in a separate Part 3 Impact Assessment, see footnote 27 above.

existing information management system). We expect all existing buildings to have completed this during the first two years of the regime (50% of the stock each year).

*In occupation*

161. Building information will have to be kept up to date once the building is completed or following any work done to the building. This update will include reviewing and updating digital plans/drawings/3D models and updating the data in the COBie file and the digital record so that it reflects the current building. There may also have to be some cross referencing to ensure that updates in the COBie file are reflected in the digital record and vice versa.

162. Keeping this information up to date will include a review of the digital plans/drawings/3D models and where necessary an update of the digital plans/drawings/3D models. We estimate that this will take an average of one day and cost £350 - £500 per building, with a central estimate of £400. This is an average estimate, and in other years it may take half a day (or less) or several days, dependant on the scale of updates that need to be made.

163. Also required as part of keeping this information up to date, the data in the COBie file and digital record will need to be managed to reflect any changes in the building. We estimate that this will take roughly one day per annum at a cost of £350 - £550 per building, with a central estimate of £450.

**Safety Cases**

164. We estimate that over the 15-year appraisal period, safety cases (the production and gathering of information necessary for the building's golden thread used to demonstrate compliance with duties and the development of the safety case report) will cost industry between £493.3m and £1,535.2m, with a central estimate of £830.9m, in present value (PV) terms. This equates to equivalent annual cost (EAC) of between £41.4m and £128.8m over the appraisal period. The breakdown of safety case costs to industry can be found in Table 7 below.

**Table 7:** Breakdown of safety case costs to industry[33]

| | **Annual cost (EAC) (£m)** | | |
|---|---|---|---|
| | **Low** | **Central** | **High** |
| Familiarisation | £0.2 | £0.5 | £0.7 |
| Preparing and submitting the safety case | £36.4 | £61.3 | £117.0 |
| Mandatory reviews | £0.1 | £0.1 | £0.2 |
| Safety Management System | £4.6 | £7.7 | £10.8 |
| **Total** | **£41.4** | **£69.7** | **£128.8** |

[33] Figures may not sum due to rounding.

*Familiarisation*

165. We assume a one-off familiarisation cost to industry that can be associated with preparing for the new safety case requirements, estimated to be between £2.9m and £8.8m with a central estimate of £5.9m in present value terms (£0.2m - £0.7m on an EAC basis). This cost is assumed to be incurred in year 1 and covers raising awareness within firms of the change to the regulatory framework and employees attending external events to become familiar with the new regime.

*Preparing the first safety case evidence base and writing the report*

166. Preparing the first safety case evidence will include the cost of compiling the evidence (including building surveys) and documentation, the building's golden thread of information, and drafting the overarching safety case report (also stored in the golden thread). The required information in a safety case report will need to demonstrate that all reasonable steps are in place to assess and manage building safety risks. This will include a demonstration that building safety risks are being managed, supported by appropriate evidence, such as, full building description, hazard scenarios for the building and associated risk assessments, a summary of the control and mitigation measures, and the approach to ongoing risk management (the safety management system). Compiling this may require contracting a team of technical experts such as structural engineers, fire engineers and safety experts depending on what information is already held. The principal accountable person and accountable persons will incur costs in preparing and developing the relevant documents.

167. It is assumed for new buildings, having passed through Gateways 2 and 3 as part of the new regime for design and construction, that most of the necessary information about the building required for a safety case and safety case report will be in place and already stored in the golden thread. The time to pull the required information together for these buildings, therefore, is less than the existing stock.

168. For the existing building stock, subsequent to the assumptions set out in the original Impact Assessment, we now have a greater understanding of the information already held (and therefore the gap in information that needs to be gathered).

169. Working with external expertise we estimate a 25% - 75% split for the existing stock, with 25% of the stock requiring detailed structural and fire assessments, and 75% only requiring detailed fire assessments.

170. We also assume a split for the newer stock of buildings. For new buildings going through the design and construction process once Gateways 2 and 3 have been introduced we estimate a much smaller amount of time is required to gather the evidence for the safety case, as most of the information required would have already been collected and handed over to the principal accountable person or relevant accountable person. We assume that new buildings completed

between 2020[34] and the introduction of Gateway 3 will require additional time to gather more information, with the estimate of time required closer to the that of buildings that are coming through the Gateways process.

171. Table 8 below presents the central estimates of the cost per building of initially developing the safety case, by building type. This includes gathering and preparing the evidence base (the golden thread of information), including conducting any required surveys, and writing the safety case report. To note that this is an approximate estimation for an average building in each category, and in practice, costs will vary from building to building.

**Table 8[35]:** Costs (per building) of initially preparing the safety case and writing the safety case report

| | **Existing stock – Structural and fire assessments** | **Existing stock – Fire assessments only** | **New buildings completed after gateway 3 introduction** | **New buildings completed between 2020 and gateway 3 introduction** |
|---|---|---|---|---|
| Preparing the evidence base | £3,490 | £2,410 | £110 | £530 |
| Required survey(s) | £15,000 | £9,500 | - | - |
| Writing the report | £3,400 | £2,480 | £1,480 | £1,480 |
| **Total** | **£21,890** | **£14,390** | **£1,590** | **£2,010** |

*Updating the safety case in other years*

172. The principal accountable person and accountable persons will need to ensure that the information they hold about the part of the building for which they're responsible is kept accurate and up to date after it has been created. This will include ensuring a management plan is in place and, where necessary, updating the evidence of the safety case. We have assumed 1 day of time per annum to review the management plan, and just under 5 days per annum to keep the evidence of the safety case updated[36]. Both during and following building work undertaken in an existing building, information recorded for the safety case will be amended and updated, this may result in a revision of the safety case report.

*Mandatory reviews and safety management systems*

173. In addition to the safety case report being reviewed as part of the cycle for building assessment certification (see paragraph 34 above), the principal accountable person and accountable persons may incur costs for reviews which occur out of that cycle. There is an

[34] 2020 was chosen as this coincides roughly with the governments *building a safer future* consultation and response which started to set out to industry more details of the proposed new requirements.

[35] The costs in this table are for an example average building, and in practice will vary from building to building, dependant on the individual circumstances of that building, including number of dwellings and complexity.

[36] We have assumed an average of 3 hours per month to conduct this activity.

ongoing duty to manage building safety risks, and further reviews of a principal accountable person or accountable person's safety arrangements could be triggered at the request of the Regulator for a number of reasons: a significant fire event at the building, a major incident at a comparable building, the emergence of new technical knowledge about safety matters or hazards, prior to commencing refurbishment or other work which could have significant impacts on building safety risks, and following any significant change to the safety management system. We estimate that an average of approximately 2,300[37] buildings per annum, over the 15-year appraisal period will require a mandatory review, many of which we estimate will be small, low-cost reviews. Table 9 below presents the estimated principal accountable person and accountable person time during mandatory reviews and assumed frequency.

**Table 9**: Mandatory review triggers

| | **Proportion of buildings per year** | **Dutyholder[38] time (hours)** |
|---|---|---|
| Following major incident | 0.10% | 24 |
| New knowledge of Safety Matters | 5.00% | 2 |
| New Assessment of hazards | 5.00% | 2 |
| Before Refurb Work (decanting) | 0.15% | 2 |
| Safety Management Change | 5.00% | 2 |

174. To meet the safety case requirements, the principal accountable person and accountable persons will need to establish and operate a safety management system to ensure risks are assessed and managed on an ongoing basis and safety features are tested and maintained. We expect that the principal accountable person will establish, develop, and implement a sufficient safety management system in line with the 'Plan, Do, Check, Act' model promoted by the HSE. We estimate that the introduction (where they are not already in place) and improvement of safety management systems will result in a total cost to industry of £7.7m per annum on an EAC basis and £92.1m in PV terms over a 15-year appraisal period.

175. In December 2022 the Home Office released updated guidance on fire safety responsibilities under the Fire Safety Regulations 2022[39]. This updated guidance introduced responsibilities for 'responsible persons' that involves ensuring there are up to date floor and building plans, conducting regular fire door checks and information on external wall construction (amongst other things). Compliance with these obligations will form part of the principal accountable person and accountable person's activities to meet duties required by the Act. By

[37] 2,300 is the average over the 15 year appraisal period, however we expect buildings to only start conducting mandatory reviews from 2025 (year 3 of the appraisal period) onwards. The average per annum over 13 years is 2,600 buildings.

[38] Principal accountable person and accountable person.

[39] Check your fire safety responsibilities under the Fire Safety (England) Regulations 2022 - https://www.gov.uk/government/publications/check-your-fire-safety-responsibilities-under-the-fire-safety-england-regulations-2022/check-your-fire-safety-responsibilities-under-the-fire-safety-england-regulations-2022#duties-of-the-responsible-person-general

the time principal accountable person and accountable person(s) will be implementing safety management systems, we expect that most organisations will have some systems in place, as is required under the Fire Safety Regulations.

176. We estimate that 40% of small organisations that are principal accountable persons or accountable persons for higher-risk buildings have limited systems in place, 50% have some systems in place (those with some systems in place will incur 75% of the total cost of those with limited systems) and 10% have advanced systems in place (incurring 50% of total costs). Small organisations make up the majority of the sample estimate[40]. Assumptions vary for medium and large organisations and can be found in table 10 below.

**Table 10:** Counterfactual assumptions for safety risk management systems

| | **Limited systems** | **Some systems** | **Advanced systems** |
|---|---|---|---|
| Small Organisation | 40% | 50% | 10% |
| Medium Organisation | 20% | 60% | 20% |
| Large Organisation | 15% | 55% | 30% |

177. The total set up cost for safety management systems in year 1 of the regime represents a significant portion of the total costs. This is due to the large number of organisations that will have limited formal systems in place. The substantial set-up cost is indicative of the need to establish, develop and implement a sufficient safety management system in line with the 'Plan, Do, Check, Act' model promoted by the HSE as well as encourage a shift in workplace culture regarding safety management. The annual costs thereafter are primarily for employee awareness training and maintenance and improvement of the safety management system

**Enforcement**

178. We estimate that over the 15-year appraisal period, the total cost of enforcement to industry will be between £8.4m and £12.7m, with a central estimate of £10.6m, in present value (PV) terms. This equates to an equivalent annual cost (EAC) of between £0.7m and £1.1m over the appraisal period.

**Table 11:** Breakdown of enforcement costs to industry

| | **Annual cost (EAC) (£m)[41]** | | |
|---|---|---|---|
| | **Low** | **Central** | **High** |

[40] A sample estimate was generated for the purposes of this analysis.

[41] Amounts may not sum to total because numbers have been rounded.

| | | | |
|---|---|---|---|
| In occupation | £0.4 | £0.5 | £0.6 |
| Residents' complaints | £0.3 | £0.4 | £0.4 |
| **Total** | **£0.7** | **£0.9** | **£1.1** |

179. The costs shown in table 11 above only include the cost of complying with any investigation by the Regulator. This includes principal accountable person time corresponding with the Regulator, internal legal costs, and legal fees. Costs do not include the cost of remedying any breach which led to an investigation, as an investigation would be triggered by failing to follow the duties which are set out in Part 4 of the Act. The cost of complying with these duties is covered throughout the Impact Assessment.

180. Costs which industry may incur due to facing criminal prosecution have not been included in this analysis. The costs of criminal prosecution would include additional administration costs, lawyer's fees, court costs and fines, but these have not been included because they can be avoided by companies complying with their duties in Part 4 of the Act. Any costs associated with non-compliance which result in prosecution are, therefore, not considered a legitimate cost to industry.

181. To calculate the costs of enforcement, we estimate the time needed for the principal accountable person to complete the required tasks at each stage of the enforcement process.

182. Required tasks include:

- Demonstrating the breach which triggered an investigation has been remedied.
- Accompanying the Regulator on site visits when required.
- Time spent liaising with legal professionals.

183. We expect that the time needed for the accountable person(s) to complete these actions will vary depending on the complexity of the investigation and the stage of the enforcement process. Legal fees have been calculated using an estimated flat rate per incident.

184. Enforcement will be split into proactive and reactive activity by the Regulator. Proactive enforcement will result from identifying breaches during planned building inspections. Reactive enforcement will be triggered by residents' complaints and mandatory occurrence reports.

**Table 12:** Proactive planned enforcement activity

| | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** |
|---|---|---|---|---|---|---|
| Planned inspections | 0 | 2808 | 3220 | 2877 | 2836 | 2568 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Notices issued | 0 | 562 | 644 | 575 | 567 | 514 |

185. Planned inspections correspond to building inspections for building assessment certificates for the existing stock of higher-risk buildings. The cost to industry of these inspections has been captured in the building assessment certificate section of this Impact Assessment so no additional costs are included here.

186. We assume that 20% of buildings undergoing planned inspections will be identified as poor performers. Identifying a poor performer will trigger an investigation by the specialist investigation team. These investigations have been used as a proxy for the number of buildings which will be issued with a formal notice by the Regulator.

187. We assume there will be a 20:60:20 split between simple, moderate, and complex investigations. The costs to industry per investigation will increase with the level of complexity and are summarised in table 14 below.

188. The 20% poor performers assumption and the 20:60:20 split between simple, moderate, and complex investigations is based on HSE data. This data relates to other HSE activity such as enforcing the Health and Safety at Work Act.

**Table 13: Enforcement activity triggered by residents' complaints**

| | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** |
|---|---|---|---|---|---|---|
| Investigations | 440 | 396 | 376 | 376 | 358 | 340 |
| Notices | 314 | 283 | 269 | 269 | 255 | 243 |

189. The number of investigations is an estimated number of complaints from residents of high-risk buildings which will require investigation by the Regulator.

190. Of these investigations we assume 70% will be resolved after a formal notice has been issued and 30% will be resolved without any formal enforcement action. We expect that the accountable person(s) will need to spend 2 hours on average engaging with the Regulator when an investigation is resolved without any formal enforcement action.

191. We estimate a further 6 investigations because of mandatory occurrence reports. We assume this will result in a further 5 formal notices per year on average.

192. As with proactive enforcement, we assume a 20:60:20 split between simple, moderate, and complex investigations. We assume the same costs per incident as with proactive enforcement. These are summarised in table 14 below.

**Table 14:** Enforcement: Costs per incident

| | Admin costs | Legal costs | Legal fees |
|---|---|---|---|
| Formal notice (simple) | £150 | £30 | £500 |
| Formal notice (moderate) | £450 | £90 | £500 |
| Formal notice (complex) | £750 | £280 | £500 |

193. All costs presented are estimated averages. In practice, the cost to industry of each investigation will depend on the circumstances of each investigation. Estimates on the amount of enforcement activity have a high degree of uncertainty. The amount of enforcement activity will depend on how industry responds to the new Regulations. Estimated enforcement activity presented in tables 12 and 13 is based on modelling undertaken by the HSE on the expected number of investigations. These numbers are held constant after 2028 to estimate the total costs of enforcement over the appraisal period.

**Reviews and appeals**

194. We estimate that over the 15-year appraisal period, the total cost of reviews and appeals to industry will be between £2.1 and £3.1m, with a central estimate of £2.6m, in present value (PV) terms. This equates to equivalent annual cost (EAC) of between £0.2m and £0.3m over the appraisal period.

**Table 15:** Breakdown of reviews and appeals

| | Annual cost (EAC) (£m)[42] | | |
|---|---|---|---|
| | | Central | High |
| Internal reviews | £0.1 | £0.1 | £0.1 |
| Appeals | £0.1 | £0.1 | £0.1 |
| **Total** | **£0.2** | **£0.2** | **£0.3** |

195. The process for challenging decisions made by the Regulator under the new regime is not dissimilar to other processes whereby interested parties have the right to request a review of a decision which affects them. There are no specific familiarisation costs for reviews and appeals,

[42] Internal reviews and appeals may not sum to total as figures have been rounded.

as familiarising with the requirements is captured under general familiarisation, as well as the specific familiarisation for the other obligations.

196. Where disputes arise over higher-risk building decisions made by the Regulator, the first stage is informal discussion and mediation between the parties. Following that, in most cases, there is an internal review and appeals process provided by the Regulator. If this cannot resolve matters, specified regulatory decisions are appealable to the First-tier Tribunal. The costs presented in table 15 above include the time required to gather and submit evidence for reviews and appeals and legal costs when required.

197. Only a limited set of decisions are eligible for internal review. These decisions are:

- Not to register a building on an application under section 78(1);
- To remove a building from the register under section 78(3);
- To refuse an application for a building assessment certificate under section 81(3). This (81.3) is a broader category in that the regular can issue a direction on any Part 4 duty, if its accountable persons are not managing their building safety risks and keeping residents safe and;
- To issue a direction under section 83(2) in regard of a safety case requirement.

198. We estimate that there will be an average of 163 internal reviews per year on eligible decisions over the 15-year appraisal period.

199. Once the accountable person has requested the review of an eligible decision or direction, they will need to gather evidence to support their case and submit the appeal. We expect the principal accountable person to spend on average 6 hours preparing evidence for an internal review and an average of 1.75 hours submitting the evidence. We assume that 33% of reviews will require legal input.

200. If a decision or direction is still disputed after internal review, the decision can be appealed to the First-tier tribunal. We assume that 10% of decisions will be appealed following internal review. Appeals will be decided in the First-tier tribunal. The accountable person will also need to gather evidence and submit an appeal at this stage.

201. Accountable person(s) can also appeal to the First-tier tribunal against enforcement notices. Appeals against enforcement notices can only be made on the grounds that the person has not contravened, is not contravening, or is not likely to contravene, a relevant requirement (under Part 4 of the Act) or that it is unreasonable to require the person to do anything specified to be done in the notice.

202. This analysis estimates an appeal rate of 10% against enforcement notices in the central scenario. This leads to a central estimate of 92 appeals to the First-tier tribunal per year over the 15-year appraisal period.

203. We expect the accountable person to spend on average 9 hours preparing evidence for an appeal and approximately 2.6 hours on average to submit the appeal. We assume that all appeals will require legal input.

204. Time estimates provided are averages and the time required for individual reviews and appeals will vary depending on the complexity of the case.

**Mandatory occurrence reporting**

205. We estimate that over the 15-year appraisal period, the total cost to industry of mandatory occurrence reporting will be between £3.5m and £5.2m, with a central estimate of £4.3m, in present value (PV) terms. This equates to equivalent annual cost (EAC) of between £0.3m and £0.4m over the appraisal period.

206. Mandatory Occurrence Reporting or "near miss reporting" is common in other sectors including the Civil Aviation Authority. There are very minimal familiarisation requirements associated with preparing for the new mandatory occurrence reporting requirements, estimated to be between £0.2m and £0.5m with a central estimate of £0.3m in present value terms (£0.01m - £0.04m on an EAC basis). This cost relates to specific training required by individuals.

207. In the analysis mandatory occurrence reporting is broken down into reporting on new building projects, major refurbishment projects and existing buildings. This Impact Assessment focuses on Part 4 (in-occupation impacts of the regime[43]) and therefore we only consider mandatory occurrence reporting for existing (occupied) buildings. The analysis assumes that there will be an average[44] of approximately 4,700 instances of reporting from occupied buildings per annum.

208. The reports can be made for a number of reasons and by any relevant person on the site of the building. Table 16 below presents our assumptions on the proportion of buildings that we expect to encounter each type of report, and how many reports we expect them to receive per annum. These assumptions drive the total number of instances reported per annum.

**Table 16:** Incidence of mandatory occurrence reports

| | **Proportion of buildings where issues are reported per annum** | **Number of reports per building per annum** |
|---|---|---|
| **Maintenance** | | |
| Early or unexpected decay of structural components / Decay of structural components that are not visible / defects of active/passive fire protection | 20% | 1 |
| **Products in use** | | |
| Unexpected failure of safety critical components | 3% | 2 |

[43] The impacts of mandatory reporting for new buildings and refurbishments is covered in a separate Part 3 Impact Assessment.

[44] Average over the 15 years.

| Operation safety procedures | | |
|---|---|---|
| Safety problems identified during evacuation drills | 2% | 1 |
| Lack of competence of those tasked with the management of safety | 1% | 1 |

209. The analysis assumes that instances are dealt with through a single report that will take on average 0.5 hours of an accountable person's time to report to the principal accountable person and then 1 hour of the principal accountable person's time to report to the Regulator.

**Residents' voice**

210. We estimate that over the 15-year appraisal period, the total cost to industry of residents' voice will be between £404.2m and £810.2m, with a central estimate of £540.2m, in present value (PV) terms. This equates to equivalent annual cost (EAC) of between £33.9m and £68.0m over the appraisal period. The breakdown of residents' voice costs to industry can be found in table 17 below.

**Table 17:** Breakdown of residents' voice costs to industry

| | Annual cost (EAC) (£m) | | |
|---|---|---|---|
| | **Low** | **Central** | **High** |
| Providing residents with building safety information | £5.3 | £7.0 | £10.5 |
| Residents' engagement strategy | £16.0 | £21.3 | £32.0 |
| Accessing redress (complaints) | £8.3 | £11.1 | £16.6 |
| Contravention and Ease of Access Notices | £4.2 | £5.6 | £8.4 |
| Familiarisation costs | £0.1 | £0.3 | £0.4 |
| **Total** | £33.9 | £45.3 | £68.0[45] |

211. In practice many buildings will already be doing some of the activities that are required under the residents' voice obligations. We have estimated the percentage of buildings where we expect that accountable persons will already be conducting some of these resident voice

[45] Figures may not sum due to rounding.

activities,). We have then netted off the counterfactual from the estimates for the total cost to industry (once the costs for individual buildings had been scaled up) as opposed to on a per building basis. Table 18 below presents the counterfactual assumptions used.

**Table 18:** The counterfactual for residents' voice

| Policy Area | Counterfactual % (amount netted off) |
|---|---|
| Information provided to residents | 45% |
| Engagement of residents | 25% |
| Accessing redress (complaints) | 20% |

*Providing residents with building safety information*

212. The principal accountable person and relevant accountable person(s) must provide all residents with prescribed building safety information. Information must be provided as soon as reasonably practicable after the building is first occupied or when a resident moves in, with the principal accountable person and relevant accountable person(s) required to take reasonable steps to be aware of the residents for which they are responsible.

213. Residents can request prescribed building safety information and documents from their principal accountable person or relevant accountable person. The information must be provided as soon as reasonably practicable, and that any reasonable extensions required (e.g. if redaction of part of a document is required before it can be disclosed) should be communicated to the requesting resident.

214. The level of information already provided to residents varies significantly across providers. We assume that there will be initial one-off costs to creating the automatic information and some of the information available on request. There will also be higher one-off costs when the information is initially shared with residents and then subsequently less costs for providing updated automatic information. We expect that the principal accountable person and relevant accountable person(s) will look to proactively provide information and thereby reduce the burden of, for instance, individual requests. Table 19 below sets out assumption and cost estimates of providing residents with building safety information (for an individual building[46]).

**Table 19:** Providing residents with building safety information: assumptions and costs

| Frequency | Time (hours) | Cost per building |
|---|---|---|

[46] The costs in this table are for an example average building, and in practice will vary from building to building, dependant on the individual circumstances of that building.

| | | | |
|---|---|---|---|
| **Preparing the information** | | | |
| Initial scope outlined | One off | 1 | £38 |
| Defining information requirements | One off | 6 | £225 |
| Initial material development | One off | 28[47] | £1,052 |
| **Disseminating the information** | | | |
| Initial material disseminated | One off | 4.75 | £178 |
| Production and dissemination of material (initial) | One off | - | £250 |
| Production and dissemination of material (yearly) | Annually | - | £100 |
| New residents provided with material | Annually | 4.75 | £178 |
| **Updating the information** | | | |
| Material updated regularly | Once every two years | 4.75 (average per year) | £178 |
| **Responding to requests** | | | |
| Responding to requests | Annually | 6 | £225 |

*The residents' engagement strategy*

215. The principal accountable person must produce and implement a residents' engagement strategy, which promotes the participation of all residents in decisions about their building's safety and sets out how and when residents will be consulted and engaged. The residents' voice section of the 'Policy Objective' above sets out what must be included in the strategy.

216. The principal accountable person and accountable persons must ensure they are providing the residents' engagement strategy to their residents and ensure that it is accessible to residents. The principal accountable person must also ensure they consult on the strategy itself.

217. The current practice of engagement appears to vary significantly between buildings. We, therefore, assume that there will be one off set up costs to establishing the residents' engagement strategy and then ongoing costs to carry out consultation and provide information under it, including reviewing and consulting on it where necessary. Table 20 below sets out assumption and cost estimates for the residents' engagement strategy for an individual building.

**Table 20:** The residents' engagement strategy: assumptions and costs

| | **Frequency** | **Time (hours)** | **Cost per building** |
|---|---|---|---|

[47] 28 hours is the estimate for existing buildings, for new buildings the estimate is lower, with an average of 22.5 hours and a cost of £845.

| | | | |
|---|---|---|---|
| **Preparing the information** | | | |
| Setting up the strategy | One off | 15 | £564 |
| Including recommendations from the Regulator in yearly maintenance plan | Annually | 3.75 | £141 |
| **Disseminating the information** | | | |
| Setting up residents' meetings: informing residents, planning activities and preparing materials | Annually | 17.81 | £669 |
| Holding walk-in residents' engagement meetings/events | Annually | 16.88 | £634 |
| Create, maintain and distribute a strategy that incorporates main concerns and yearly actions | Annually | 1.88 | £70 |
| **Production and dissemination of the strategy** | | | |
| Year 1 – all residents | One off | - | £250 |
| Subsequent years – new residents only (or when the strategy is changed) | Annually | - | £100 |

*Engagement during refurbishment*

218. In addition to the normal cycle of keeping the strategy updated, the principal accountable person or relevant accountable person will need to conduct extra-ordinary engagement during situations such as major refurbishments. We have included the table below, as the residents' voice costs incurred during a major refurbishment are additional to those in a regular year. There are no accompanying paragraphs for this in the 'policy intent' section of this Impact Assessment as the requirements are captured in the 'residents' engagement strategy' Regulations. Table 21 below presents an example set of activities they will need to conduct. As before, this is an estimate, and what each building will do in practice will vary substantial based on the needs and individual circumstance of the building and its residents.

**Table 21:** Engagement during refurbishment: assumptions and costs

| | **Frequency** | **Time (hours)** | **Cost per building** |
|---|---|---|---|
| **Disseminating information** | | | |
| Informing residents of the strategy via leaflets, letters, etc | Annually | 2.63 | £99 |

| | | | |
|---|---|---|---|
| Setting up residents' meetings: informing residents, planning activities and preparing materials | 3 meetings a year | 30.94 | £1,162 |
| holding walk-in residents' engagement meetings/events | 3 meetings a year | 28.13 | £1,057 |
| **Views and issues** | | | |
| Gather the views, issues and comments expressed at meetings, phone calls and website and establish a scale of urgency | 3 meetings a year | 2.25 | £85 |
| Reply to issues via phone calls/emails | 3 meetings a year | 4.5 | £169 |
| **Updating the maintenance plan** | | | |
| The recommendation of the regulator becomes part of the yearly maintenance plan | Annually | 0.5 | £19 |

*Building safety complaints*

219. The principal accountable person must establish and operate a system for dealing with building safety complaints. This could be integrated into an existing complaints system. The Regulator will act as a route of escalation for building safety complaints when they are not addressed. We assume that there will be an average of 5.25 complaints annually for buildings 18m-30m, and 7 complaints annually for buildings 30m+.

220. Table 22 below sets out the assumptions and cost estimates for building safety complaints. The cells in table 22 below that are shaded in light blue represent an assumption on the residents' side, and as such do not have a cost to industry attributed to them. Categorisation of issue (in the table below) is included as the principal accountable person's complaints procedure requirements are likely to be part of a wider complaints policy and procedure and will be a part of other priorities for managing the building. It is likely the principal accountable person/ accountable person will have multiple live complaints, issues or service requests. Any relevant complaint must be a priority if it relates to safety, and the principal accountable person will have to have an effective and appropriate prioritisation process. The figures in the table below are an estimate of such a process.

**Table 22:** Building safety complaints: assumptions and costs

| | **Frequency** | **Time (hours)** | **Cost per building** |
|---|---|---|---|

| | | | |
|---|---|---|---|
| **Set up of internal complaints procedure** | | | |
| Set up reporting procedure | One off | 15 | £564 |
| **Issue raised** | | | |
| Complainant sends email/logs risk in app or website | Annually – per issue | 0.25 | - |
| Additional complainants log the same issue (via app/website) | Annually – per issue | 0.08 | - |
| **Categorisation of issue (Category 1 or 2)** | | | |
| Issue assigned to case worker | Annually – per issue | 0.25 | £9 |
| Contact with complainant made for more details where required about the reported hazard | Annually – per issue | 0.5 | £19 |
| Resident sends photos/outline of hazard | Annually – per issue | 0.5 | - |
| Hazard categorised by the principal accountable person | Annually – per issue | 1 | £38 |
| Issue formally logged (including categorisation of the severity of issue) | Annually – per issue | 0.25 | £9 |
| **Issues and complaints logged** | | | |
| Relevant information pertaining to the handling and investigations of complaints are logged | Annually – per issue | 3 | £119 |
| **Progress on issues** | | | |
| Relevant maintenance team contacted | Annually – per issue | 0.25 | £9 |
| Maintenance team briefed | Annually – per issue | 0.5 | £19 |
| Complainant provided with updates | Annually – per issue | 0.25 | £9 |
| Complainant contacted to provide feedback | Annually – per issue | 0.25 | £9 |
| Complainant provides feedback | Annually – per issue | 0.25 | - |

| | | | |
|---|---|---|---|
| Separate route of escalation provided to complainant if they are dissatisfied with the outcome | Annually – per issue | 0.5 | - |

*Contravention notices and ease of access notices*

221. Where a resident is not complying with their obligations, the relevant accountable person can issue a contravention notice. These notices can be issued for a range of reasons but must be issued in writing and served through an appropriate mechanism and understandable to the resident(s). The notice must set out the alleged contravention, the actions the resident should take and reasonable time to take those steps. It must also set out the steps the relevant accountable person may take if the notice is not complied with.

222. In our analysis we have split out resident notices into contravention notices and ease of access notices (where the relevant accountable person requires access to the property to resolve a building safety issue).

223. We estimate that, on average, there will be 5 contravention notices per year per building[48]. We have assumed in this analysis that the next substantial escalation stage would be a court notice, which would be drafted and issued by the relevant accountable persons[49]. We estimate that there will be 0.3 court notices per building per year (deriving from contravention notices). The cost of drafting and issuing these notices is estimated at £320 per year (for the average building in this example).

224. We estimate that, on average, there will be 0.2 ease of access notices per year per building. We have assumed in this analysis that the next substantial escalation stage would be a court notice, which would be drafted and issued by the relevant accountable persons[50]. We estimate that there will be 0.05 court notices per building per year (deriving from ease of access notices). The cost of drafting and issuing these notices is estimated at £20[51] per year (for the average building in this example).

## Costs to the Regulator

### Total costs to the Regulator

225. The regulatory functions of the Regulator are in the process of being switched on, with, for example, principal accountable persons being able to register their higher-risk buildings with the Regulator from April 2023. As such, the HSE have refined their operational costs as part of their full business case development. This is reflected below in setting out the costs to the Regulator for delivering the new regime.

[48] The estimates for notices in this section are in addition to the informal notices that will already be utilised by building owners.

[49] They may choose to use a template or seek legal help in drafting the notice.

[50] They may choose to use a template or seek legal help in drafting the notice.

[51] Drafting and issuing a notice would likely cost more than this, this figure is representative of the unlikeliness of these notices being required for an average building.

226. Table 23 below presents the total cost to the Regulator. The costs in the table have been presented in both equivalent annual cost (EAC) and net present value (NPV) terms.

**Table 23:** Total annual cost to the regulator

| | **Annual Cost (EAC) (£m)** |
|---|---|
| Special Investigations Teams | £4.8 |
| HRBs: In-occupation | £24.1 |
| Operations support - HRB | £0.9 |
| **Total** | **£29.9**[52] |
| | **Total Cost (NPV) (£m)** |
| Special Investigations Teams | £57.4 |
| HRBs: In-occupation | £287.9 |
| Operations support - HRB | £10.7 |
| **Total** | **£356.0** |

227. The analysis and costs in this section have been provided to the department by the HSE, as they are delivering the Regulator as set out in the Act. We have worked extensively with them to ensure that any assumptions, and by extension estimates, are to the best of our knowledge, the most accurate reflection of the impact of the Regulations.

228. The analysis in this section utilises the same assumptions asset out in the 'General Assumptions' section set out above.

229. Regulator costs include a 10% optimism bias.

230. Regulator costs are variable until 2030, and after this point have been held constant.

231. Regulator costs have been presented for a central scenario only. This is to maintain consistency with the internal business case. These figures are informed by HSE analysis and are unlikely to change.

232. The costs presented in this section are the total costs for both resource and capital spend, however non-FTE (full time equivalent) resource costs and capital costs have been apportioned

[52] Figures may not sum due to rounding.

across the functions based on an allocation. To see this in more detail, please go to annex B. The discussion here only focuses on the FTE elements.

233. The subsections under Regulator costs will not align with those in the industry costs section as they were developed independently (but in parallel) by HSE, and what the Regulator will be doing is different to the requirements on industry. The total quantum of these costs does, however, align with the scope of what is covered by the costs to industry.

234. The Regulator intends to operate at a 90% cost recovery rate across activities relating to the regulation of higher-risk buildings from 24/25 onwards[53]. The cost recovery rate for the operational Regulator across all areas of delivery is 75% across the period 23/24 to 29/30, as it will pass on the majority of its costs to industry via fees and charges. The specifics of those fees and charges are not currently known and will be assessed in a future Impact Assessment on fees and charges. It is expected the industry will pass on all costs they are able to (which includes Regulator fees) to leaseholders. The 'Wider Impacts' section below assesses the expected cost to leaseholders.

*Specialist Investigations teams*

235. The specialist investigations team's (SIT) element of the Regulator costs is for teams within the Regulator to investigate principal accountable persons and accountable persons that are non-complying with their duties under Part 4 of the Act. The costs for these teams are split into three areas, as shown in table 24 below. Mandatory occurrence reporting[54] covers investigations triggered via the mandatory occurrence reporting process, complaints cover investigations triggered by complaints from residents in buildings, and 'in-occupation' covers all other investigations relating to Part 4 duties under the Act.

**Total 24:** Cost breakdown for Specialist Investigations Teams

| | **Annual Cost (EAC) (£m)** |
|---|---|
| Mandatory Occurrence Reporting | £0.4 |
| Complaints | £3.5 |
| In-occupation | £1.0 |
| **Total** | **£4.8[55]** |

*Higher-Risk Buildings: Principal accountable person and accountable person duties under Part 4 of the Act.*

[53] Cost recovery rates for the three cost areas are as follows: special investigations teams - 70% in 23/24, 90% from 24/25 onwards, HRBS: In occupation – 90% cost recovery from go live in April 2024, operations support – HRB – 47% in 23/24, 90% from 24/25 onwards.

[54] The mandatory occurrence investigations FTE are split equally between Part 3 and 4, and the Part 3 element is assessed in a separate Impact Assessment.

[55] Figures may not sum due to rounding.

236. The higher-risk buildings in-occupation element of Regulator costs refers to the FTE needed for the Regulator to conduct all the standard required activities and engagement under Part 4 of the Act and the draft Higher-Risk Buildings (Keeping and Provision of Information etc.) (England) Regulations 2023 and Building (Higher-Risk Buildings) (Management of Safety Risks etc) (England) Regulations 2023. This includes the application of Regulator resource set out earlier in this Impact Assessment including on the building assessment certificates process, implementing the safety case approach, and maintaining the golden thread It does not include the investigative time captured under Special Investigation Teams, as this is covered in the Special Investigation Teams subsection. It is grouped into three areas (as shown in table 25 below): Regulator core costs, Fire and rescue service costs, and specialist costs.

237. Regulator core costs are those incurred for core employees employed by the Regulator. Fire and rescue service costs refer to resource brought in as part of multi-disciplinary teams . Specialist costs refer to those that provide additional non-core skills. This includes structural assessors and fire engineers.

**Table 25: Total cost of HRBs: In-Occupation**

| | **Annual Cost (EAC) (£m)** |
|---|---|
| Regulator core costs | £13.3 |
| Fire and Rescue Services | £5.6 |
| Specialists | £5.3 |
| **Total** | **£24.1**[56] |

*Operations support – Higher Risk Buildings*

238. This cost area includes the admin and support that would be needed to assist the Regulator in conducting its functions under Part 4 of the Act.

## Benefits

239. This analysis has estimated the benefits of all measures in the Act. It has not been possible to identify the benefits realised by Parts 3 and 4 separately. This Impact Assessment, therefore, presents the total benefits of the wider regime even though some of these will be the result of improved building practices which result from measures brought in under Part 3 of the Act. The costs and benefits should not, therefore, be directly compared until the costs associated with Part 3 are fully assessed in the separate Impact Assessment for those Regulations.

[56] Figures may not sum due to rounding.

**Total Benefits**

240. The monetised benefits in this section cover higher-risk buildings only.

241. Our analysis estimates that the requirements of the Act and the Regulations would yield equivalent annual benefits (EAB) of £95.6m - £416.5m per annum in monetised benefits. This is broken down in Table 26 below.

**Table 26:** 18m+ buildings benefits

| | **Annual Benefit (£m)** | | |
|---|---|---|---|
| | **Low** | **Central** | **High** |
| Reducing the risk of fire incidents | £47.6 | £140.8 | £325.9 |
| Avoided cost of resolving systemic issues | £10.9 | £16.4 | £21.9 |
| Indirect benefits to the construction industry | £34.4 | £49.2 | £63.9 |
| Reducing the risk of structural issues | £2.6 | £3.7 | £4.9 |
| **Total** | £95.6 | £210.1 | £416.5 |

242. Some benefits have not been monetised because of the absence of a sufficiently robust evidence base, while for others it was not considered proportionate to monetise benefits. Non monetised benefits are discussed below.

243. The benefit estimates set out here have been calculated over a 75-year appraisal period. This includes benefits experienced in the 15-year policy appraisal period (equal to that used to estimate costs) and benefits that may persist over the lifespan of a building, assumed to be 60 years. This is to best capture all the benefits and reflects the Green Book guidance on 'persistence' of benefits. For example, benefits associated with residents' engagement are likely to last the 15-year policy period, however improvements in the construction quality of new buildings will likely last the lifespan of the building.

244. A more detailed description of the methodology used to estimate overall monetised benefits and the monetised benefits of the individual sections below is set out in Annex A.

*Reducing the risk of fire incidents (£47.6m - £325.9m)*

245. The requirements of the Act are expected to reduce the risk of fires spreading across multiple dwellings within a higher-risk building (referred to here as fire incidents), and to reduce the risk of major fires (the requirements are not expected to have a material impact on the number of fire ignitions). This will be achieved through stronger oversight, clearer accountability for, and stronger duties on, those responsible for the safety of higher-risk buildings throughout design, construction, and occupation, and stronger enforcement and sanctions to deter and rectify noncompliance and a stronger voice for residents.

246. This analysis has split the benefits of reduced fire risks into health and non-health benefits. These benefits are summarised in table 27 below.

**Table 27:** Annual benefit from reduced fire risk (£m)[57]

| | Annual Benefit (£m) | | |
|---|---|---|---|
| | **Low** | **Central** | **High** |
| Health benefits | £21.1 | £79.5 | £206.0 |
| Non-health benefits | £26.5 | £61.3 | £119.9 |
| **Total** | £47.6 | £140.8 | £325.9 |

247. The Act requirements are expected to further reduce the risk of fire incidents in higher-risk buildings and consequently the risk of fatalities and injuries to residents. There are also expected to be reductions in negative impacts on the mental health of residents involved in such incidents, their family members, and others.

248. There are also non-health benefits related to reducing the risk of fire and structural incidents. This benefit measures avoided loss/damage of personal belongings and property loss from an otherwise avoided higher-risk buildings related incident. Examples include avoided rebuilding and demolition costs for fire damaged buildings, avoided costs from losing possessions in a fire incident, and hotel and other support costs for displaced residents.

249. Benefits are also realised from avoided legal costs. Reducing fire risks means there will be fewer legal proceedings, therefore, costs such as lawyers' fees and court costs will be avoided.

250. Estimates of the scale of these benefits take account of the projected residual risk of such incidents in the absence of the requirements of the Act and Regulations (but after the measures already taken, some of which are discussed above), the extent to which the requirements and proposals will reduce this risk, and the expected harm caused by such incidents. While the uncertainty around each of these factors makes any monetised estimates of the scale of benefits highly uncertain, an indicative range of £47.6m - £325.9m annual benefit is suggested.

[57] Health and non-health benefits may not sum to total because figures have been rounded.

251. Substantially reducing the risk of fire incidents in buildings in scope is also likely to have the important additional benefit (not monetised in this Impact Assessment) of reassuring residents and making them feel safer in their homes. This is further discussed in the section on non-monetised benefits below.

*Avoided costs of resolving systemic issues (£10.9m - £21.9m)*

**Table 28:** Benefit from avoided costs of resolving systemic issues

| | Annual Benefit (£m) | | |
|---|---|---|---|
| | **Low** | **Central** | **High** |
| Avoided costs of resolving systemic issues | £10.9 | £16.4 | £21.9 |

252. There are wider costs associated with weaknesses in the current regime, where construction does not meet the necessary requirements and so buildings require subsequent and urgent remediation (which may or may not be triggered by an incident involving a specific building). An example of this is the remediation of unsafe Aluminium Composite Material cladding on multi-occupied residential buildings over 18 metres, following the Grenfell Tower fire and the emergence of other concerns requiring remediation during investigation. This has involved costs for remediation, waking watch fees, and related investigative/legal costs.

253. There is a risk that a similar systemic crisis could emerge in future and necessitate a similar response. The Act requirements are expected to reduce the risk of this happening and therefore to reduce the risk that such associated costs are incurred. An estimate has been made of the annual benefit from avoided costs of resolving systemic issues of around £10.9m-£21.9m.

*Indirect benefits to the construction industry (£34.4m - £63.9m)*

254. The Act and Regulations requirements proposals are likely to lead to the avoidance of some costs to the construction industry and others (the expected costs to industry are set out in the industry costs section of this Impact Assessment).

255. In total, these benefits are expected to be worth £34.4m - £63.9m per year.

**Table 29:** Indirect benefits to the construction industry

| Annual Benefit (£m) |
|---|

| | Low | Central | High |
|---|---|---|---|
| Indirect benefits to the construction industry | £34.4 | £49.2 | £63.9 |

256. We would expect the overall package of additional checking and information-gathering to lead to a reduction in re-work costs relating to defects identified during and at the end of the construction period, as well as fewer latent defects identified during building occupation.

257. The new information requirements help to reduce costs from future invasive surveys and for general asset management. There will also be time saving benefits from the checking of products during design and construction and safety case preparation.

*Reducing the risk of structural issues (£2.6m - £4.9m)*

258. Finally, there are expected to be some costs avoided relating to structural incidents in buildings.

**Table 30:** Benefit from reducing the risk of structural issues

| | Annual Benefit (£m) | | |
|---|---|---|---|
| | **Low** | **Central** | **High** |
| Reducing the risk of structural issues | £2.6 | £3.7 | £4.9 |

259. These avoided costs include balconies falling off, windows falling out and collapsed buildings. Although the risk of these incidents happening is low, the measures included in the Act are expected to further reduce the probability of these events happening.

**Non-monetised benefits**

260. In addition, there are a range of benefits which have not been monetised, either because there is a lack of robust data and evidence base available or because it was not considered proportionate to carry out this analysis. The non-monetised benefits of the Act and Regulations requirements that we have identified are mental health benefits for residents, improved functioning of mortgage and insurance markets, and greater transparency in construction.

*Mental health benefits*

261. A significant benefit is reassurance to residents that risks to their safety and that of their homes have been reduced. This would mitigate negative mental health and wellbeing impacts arising from any existing uncertainty/concerns as to the safety of people's homes. This is likely

to be achieved by the cumulative impact of safety cases mandating a proactive approach to building safety, the provision of information to residents to help develop more transparent and collaborative relationships regarding managing their building safely, and a more effective system of handling complaints where residents have an increased confidence that issues can be easily and effectively raised and resolved quickly. Similarly, the introduction of the Regulator, will give further confidence to residents that dedicated action is being taken to ensure that the fire and structural safety risks in their buildings are minimised.

*Better functioning mortgage and insurance markets*

262. The Regulator's higher-risk registration and building assessment certification processes will improve confidence that high-rise buildings are being managed safely. The establishment of the Regulator will minimise ambiguity around compliance, in turn further improving confidence that higher-risk buildings are being manged safely. This will support confidence in the mortgage and insurance markets and therefore benefit residents.

263. The mortgage market for flats in higher-risk buildings underwent a market failure due to a lack of information on the materials in the external walls and leaseholders having to pay to fix any issues identified.

264. The leaseholder protections in Part 5 of the Act, alongside government and developer funding for remediation, are helping to open up the market by addressing these issues. Major mortgage lenders have committed to lend more freely on mid and high-rise buildings with building safety issues since January 2023. The new regulatory regime for higher-risk buildings, should further increase the confidence of mortgage providers, further improving the functioning of mortgage markets and therefore availability and value of products to leaseholders and prospective buyers. This will give residents greater freedom to sell and re-mortgage their homes when they would like to.

265. Research drawing on in-depth interviews with 32 leaseholders affected by the building safety crisis across the country highlighted adverse impacts on their ability to plan and control their own lives, particularly when it came to life stage transitions such as family planning, moving to a larger home, moving for work or to facilitate caring relationships[58]. Enabling individuals to mortgage and sell their homes or use their housing equity as and when they wish to can generate personal welfare benefits and improve quality of life.

266. These welfare improvements may also translate into higher productivity in the labour market. There could also be benefits for educational attainment of children if the resulting move reduces overcrowding in the home and/or relocates a family closer to more suitable schools. Similar benefits could accrue to those buying the homes. In addition, we can expect improvements in labour mobility and therefore economic efficiency from people being more able to supply work where it is needed. However, more general economic conditions, and regional variation in these, are likely more important in explaining mobility.

[58] https://housingevidence.ac.uk/publications/living-through-the-building-safety-crisis/

267. The existence of unsafe cladding has also led to a decline in the availability and affordability of insurance cover for buildings with combustible cladding. Evidence gathered by the Financial Conduct Authority (FCA) suggests that insurance premiums across buildings with identified flammable cladding increased by 187% between 2016 and 2021, going from £26,300 in 2016 to £75,600 in 2021[59].

268. Furthermore, of a sample of 17 insurers, representing most of the multi-occupancy building insurance market, 10 responded as having reduced their appetite to underwrite high risk buildings. Reductions in availability of cover and increases in insurance premiums both have negative impacts on leaseholders.

269. Insurers have low appetite to provide cover for the built environment because of low confidence in being able to differentiate between buildings with good and poor construction. The provisions in the Act should play a part in improving insurer confidence, which will improve the availability and affordability of cover for leaseholders.

*Greater transparency in construction*

270. Design and construction workers are likely to benefit from a more transparent operating environment as a result of clear and more consistent accountability through clear dutyholders during the design and construction of higher-risk buildings.

271. Clear and more consistent accountability through the identification of principal accountable persons and accountable persons, and the mandating of specific duties under Part 4 of the Act, will provide assurance that higher-risk buildings will be effectively managed with regard to building safety risks over their lifecycle

## Impact on small and micro businesses

272. Outside of public sector bodies, the majority of the costs from the requirements of Part 4 of the Act will fall initially on building owners and management companies. This includes freeholders, head lessees, and resident management companies who are responsible for the repair and management of common parts in higher-risk buildings. As set out in the section below, the majority of these bodies will be able to pass these costs onto leaseholders.

273. For the majority of these groups, the impacted companies will be of a size sufficient to relatively easily meet the statutory duties as set out in Part 4 of the Act. There will, however, also be an impact on individuals or partnerships who own buildings, resident management companies, right to manage companies and contractors and building management professionals who are operating as self-employed sub-contractors. These individuals may face a comparatively higher burden in meeting and demonstrating compliance with Part 4 duties.

[59] Financial Conduct Authority – Report on insurance for multi-occupancy buildings: https://www.fca.org.uk/publications/corporate-documents/report-insurance-multi-occupancy-buildings

274. Compliance with Part 4 duties, however, is key to delivering safety in occupied higher-risk buildings. Any exemptions for individuals, or for small and microbusinesses, would involve an unacceptable compromise regarding the safe management of these higher-risk buildings. Such groups must be able to demonstrate compliance with the duties under Part 4 of the Act, not least to avoid creating loopholes where unscrupulous companies might look to sub-contract to abrogate their own responsibilities to ensure that the Part 4 duties are met.

275. There will also be an impact on resident management companies and right to manage companies, who operate as voluntary directors managing the repair and maintenance of the common parts of the building. These bodies often employ a managing agent to undertake the day-to-day management of their building and so may face a comparatively higher burden in meeting the costs associated with the duties under Part 4 of the Act. For the same reasons as above we are not exempting bodies from the Part 4 duties.

## Wider impacts

### Ongoing costs and benefits to leaseholders of the regime

276. Leaseholders directly benefit from the new duties under Part 4 of the Act. For example, assessing the safety of a building means that fire and structural risks are identified and managed as soon as possible, and the residents' engagement strategy means that residents and owners will be informed and asked about building safety decisions that matter to them.

277. The Act amends the Landlord and Tenant Act 1985 so that landlords can pass on costs incurred (or estimated costs to be incurred) in meeting the measures listed in paragraph 280 (below). This is so that principal accountable persons and accountable persons can gather funds to comply with their duties. This also mirrors long-standing service charge principles – in that it spreads the cost of looking after the communal or shared areas of a building between those who use and benefit from those areas. Many leases already allow for similar costs to be charged as part of the service charge.

278. Leaseholders with relevant leases in occupied higher-risk buildings will be liable to pay these costs through the service charge. A 'relevant lease' is a lease for a fixed term of at least seven years under which tenants have committed to pay a service charge which varies in accordance with the landlord's expenditure on the upkeep of the building. These measures do not apply to relevant social housing tenancies, which are flexible tenancies, introductory or secure periodic tenancies or assured tenancies granted by a private registered provider of social housing (other than a long tenancy or shared ownership lease).

279. These charges must be fair and proportionate. If a leaseholder believes that the costs that they are being asked to pay are unreasonable, they can challenge these service charges at the First-tier Tribunal (Property Chamber).

280. The building safety measures for which landlords can pass on costs is set out in section 30D(4) of the Landlord and Tenant Act 1985[60] (as inserted by section 112 of The Act). Those costs relate to:

- Applying for registration of a higher-risk building
- Applying for a building assessment certificate
- Assessing building safety risks
- Taking reasonable steps to manage building safety risks (other than the carrying out of works)
- Preparing and revising a safety case report
- Preparing and revising a safety case report
- Notifying the Regulator of a safety case report and giving a copy of a safety case report to the Regulator
- Establishing and operating a mandatory occurrence reporting system, and giving information to the Regulator
- Creating and updating the golden thread of information
- Giving particular information and documents to prescribed persons (as per sections 89, 90 or 92 of the Act)
- Preparing, reviewing and sharing the residents' engagement strategy
- Establishing and operating a system for the investigation of complaints
- Where necessary:
    - Giving a contravention notice to a resident, and making an application to the county court for an order
    - Making a request to enter premises, or making an application to the county court for an order requiring that the accountable person be allowed access to premises

281. The costs related to these measures can include both the one-off set up costs, and ongoing costs to meet a principal accountable person and accountable person(s) statutory duties under the new building safety regime. The costs that can be passed on do not include costs for the carrying out of works to manage building safety risks.

282. Reasonable legal fees, other professional fees, management costs that are incurred in connection with any of the building safety measures outlined in paragraph 280 (above), and fees payable to the Regulator can be passed onto leaseholders through service charges.

283. Leaseholders have the right to be consulted about charges for running or maintaining the building if they have to pay more than £250 for planned work or £100 per year for work and

[60] https://www.legislation.gov.uk/ukpga/1985/70/section/30D

services lasting more than 12 months. This applies to the Part 4 building safety measures, where they meet these conditions. The steps that landlords must follow when they consult leaseholders, are known as a 'Section 20' consultation[61].

284. Landlords should make this element of the service charge transparent to leaseholders and the government has committed to ensuring that this element of the service charge is transparent to leaseholders. This is so that leaseholders will have better information about what they are paying to keep their building safe and assurance that the manager of the building is charging reasonably. This will help them judge if they should consider challenging costs at the First-tier Tribunal.

*Estimates*

285. The estimates below present an estimated range of the ongoing yearly and monthly costs of the new building safety regime which could be passed on to leaseholders via service charges. The estimates assume that industry would pass on all possible costs, although in practice this may not be the case.

286. It is important to note that the figures presented here are estimates based on our current assessment of these costs. As such, any estimates will represent our understanding at this point in time and are subject to future change.

287. These estimates aim to provide an indication of the scale of costs that leaseholders might be asked to contribute and are representative of a typical building – see below for further explanation. They do not represent actual costs for individual buildings.

288. The Regulator will receive much of its funding through fees and charges relating to its regulatory functions – for example a principal accountable person will be required to pay a fee of £251[62] when they register their higher-risk residential building. Such costs can be passed on to leaseholders via the service charge as described above. The Regulator has provided government with estimates for these Regulator costs, so that they can be reflected in this Impact Assessment. These estimated costs are subject to change and could increase or decrease.

289. The costs that leaseholders face in a specific building will depend upon the individual circumstances of that building, for example the number of individual dwellings in the building and its overall complexity are likely to have an impact. In our analysis we have estimated an average of 58 dwellings per high-rise building, (based on data from the Building Safety Monthly Data Release[4]) to estimate the cost per leaseholder in a "typical" building, with 35 and 100 representing illustrative smaller and larger buildings, as seen in Table 31 below. We have assumed that per building costs are the same across all buildings, although in practice larger

[61] http://www.lease-advice.org/faq/what-is-the-section-20-consultation-process-for-major-works/

[62] Registration of higher-risk building Impact Assessment - https://www.legislation.gov.uk/ukia/2023/36/pdfs/ukia_20230036_en.pdf

buildings may have increased total costs due to size and complexity. We have also assumed that all leaseholders have a lease of at least 7 years (see paragraph 278).

**Table 31:** Number of leaseholders per building

| Scenario | Illustrative smaller Building | Typical (Average) Building | Illustrative larger Building |
|---|---|---|---|
| Number of dwellings | 35 | 58 | 100 |

290. Table 32 sets out estimated average yearly and monthly costs per leaseholder if all possible costs are passed on. Figures are in real terms, in 2019 prices, and represent an estimated average over the next 15 years. In practice costs may not be evenly distributed between years, as they will depend on what is required for the individual building in each year - for example, structural surveys will not be required every year.

291. For the purposes of this analysis, it is assumed that industry would pass on all possible costs to leaseholders, including the costs they incur themselves and fees and charges levied on them by the Regulator. However, this may not be the case for all buildings and some accountable persons may choose to absorb some of these costs.

292. It is possible that the first two years of the regime ('the transition period') may cost more than subsequent years. This is because as buildings transition into the new system there may be initial set up costs, for example, the gathering of information for the golden thread, the wider safety case and production of the first safety case report. We also expect that some principal accountable persons and accountable persons will initially need to undertake more time-intensive and in-depth assessments of their buildings, such as undertaking a type 3 or 4 fire risk assessment going beyond the common parts and amending their current building safety arrangements. This may result in higher costs than in the years following the transition period as these activities, such as reviewing and revising information, is, likely to be less resource intensive in future years. The extent of initial costs will, however, depend on the specifics of the building, the existing information held, and the delivery mechanisms selected to meet the new requirements.

**Table 32:** Average cost to leaseholders over 15 years

| Scenario | Illustrative Smaller Building | Typical (Average) Building | Illustrative Larger Building |
|---|---|---|---|
| Yearly Estimate | £306 | £184 | £107 |
| Monthly Estimate | £26 | £15 | £9 |

***Notes**: Figures are in real terms, in 2019 prices, and represent an average over the next 15 years. All figures are rounded to the nearest £.*

### Other wider impacts

293. It is unlikely that the Regulations set out in Part 4 of the Act will have a significant impact on innovation.

294. If there is any impact on innovation it is likely to be negative as industry will focus resources on complying with the Regulations. There are a number of new requirements with which building owners and managers must comply, from generating their safety case to ensuring that there is a structure in place to communicate with residents and ensure they have a say in decisions that impact them. Time and effort spent doing this may mean that resources that could have been spent on innovation are diverted.

295. There may be some wider impacts on the market for ownership of high-risk buildings. The new regime introduces a series of requirements for building owners that might make owning and running a higher-risk building more expensive. Ensuring that a safety case is completed, the golden thread of information is managed and that residents have a say in decisions that affect their buildings (as well as the other requirements) will add costs for the majority of building owners. This may make ownership slightly less attractive and potentially turn people away from the market.

*Potential trade implications*

296. It is unlikely that the Regulations set out in Part 4 of the Act will have a significant impact on either exports or imports.

297. If there is any impact it is most likely to be an increase in the export of construction services such as architectural services and building safety consultancy services as individuals and companies will be required to design, construct and manage to a higher standard. However, there is very limited direct evidence on this, therefore, it is not possible to make a judgement with any degree of confidence.

## Monitoring and Evaluation

298. These new requirements and processes will be monitored by the Regulator, which will be operating and enforcing the new regime under these Regulations. The Regulator has developed an evaluation strategy to assess the effectiveness of the elements of the new regulatory regime it will deliver. This will be delivered in collaboration with government so that it is possible to generate robust evidence on the impact of these specific measures, within the new, wide reaching, regulatory framework brought in by the Act.

299. DLUHC, on behalf of government, will be leading a programme of evaluation activities, covering the Regulator, the New Regulator of Construction Products and its own renewed role as steward and sponsor of the new regulatory framework brought in by the Act Work is underway to agree the final approach to evaluation. The following is an outline of the intended approach, but our plans will need to be approved by internal research, policy and ministerial sign off processes before the final plan is confirmed.

300. In collaboration, the three organisations – DLUHC, the Regulator and the New Regulator of Construction Products, will deliver focused evaluation activities, covering process, impact and value for money. Each will be responsible for developing monitoring and evaluation plans for the elements of the Act they are delivering, but these projects will be pooled, using theory-based methodologies, so that individual elements, such as the new regime for higher-risk buildings, can be understood both in isolation and embedded within a wider, interrelated system of measures all targeting improvements in the safety of buildings for those that use them.

301. In addition to ongoing monitoring, under section 162 of the Act, the Secretary of State must appoint an independent person to carry out a review of the regulatory system every five years. The purpose of the review is to consider the effectiveness of the overall regulatory system – that is the new system established through the Act and these Regulations, and the existing legislative framework – and review the implementation of the relevant parts of that system by the Regulator, to make recommendations for improving both the regime and the Regulator. The Secretary of State will be required to publish the report.

302. The impacts from this specific intervention are unlikely to materialise for some time, due to the long times associated with residential development, so evaluation teams will first focus on embedding sound monitoring activities and completing a process evaluation prior to the independent review reference above. These activities should help to support the work of the independent reviewer.

## Annex A: Benefits estimates methodology

### Appraisal period and discount rates

303. The benefit estimates set out here have been calculated over a 75-year appraisal period. This includes benefits experienced in the 15-year policy appraisal period (equal to that used to estimate costs) and benefits that may persist over the lifespan of a building, assumed to be 60 years. This is to best capture all the benefits and reflects the Green Book guidance on 'persistence' of benefits. For example, benefits associated with residents' engagement are likely to last the 15-year policy period (or for a brief period thereafter), while improvements in the construction quality of new buildings will likely last the lifespan of the building.

304. For the first 30 years of the appraisal period, a discount rate of 3.5% has been applied to costs and non-health related benefits and 1.5% to health-related benefits. For the subsequent 45 years, 3% and 1.29% discount rates have been applied respectively. This is in line with guidance in HM Treasury's Green Book – Appraisal and Evaluation in Central Government[63].

### Monetised benefits from buildings above 18m in height

### Reducing the risk of fire incidents

[63] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf

305. It is expected that the Act requirements will reduce the risk of fire spreading within and across in-scope buildings and therefore the human and material costs of such fires. This section sets out the methodology used to estimate the scale of this benefit.

306. In essence, this analysis rests on estimates of the risk of fire incidents in the counterfactual, the expected cost of such incidents, and the extent to which the Act requirements will mitigate this. This can be summarised as follows:

307. Expected avoided costs of fire incidents of type i in year j = (I) Expected frequency of fire incidents of type i in year j in the counterfactual * (II) Expected cost per fire incident of type i in year j * (III) Expected percentage reduction in fire incidents of type i in year j caused by the activity of the Regulator.

308. The results are summed across types to calculate the annual impact, then discounted and summed over time to give the present value benefit over the appraisal period.

**Expected frequency of fire incidents in the counterfactual**

309. We examined published statistics[64] and a series of case studies to understand the historical frequency of fires of varying severities in in-scope buildings. Through a combination of statistical analysis[65] and judgment, we then made initial high, medium and low estimates of the frequency with which fires of a range of severities would be expected to occur in the absence of the Act requirements.

310. The historical evidence we referred to is unlikely to fully capture the impact of recent developments in this area, including policy measures already taken that have the effect of reducing the risk of fire in in-scope buildings. The impact of each of these measures on the risk of fires has been considered and a judgment made of the aggregate impact of these measures on the expected frequency of fires. This judgment was then applied to the frequency estimates based on the historical data discussed above to derive high, medium, and low estimates of the frequency with which fires of varying severities would be likely to occur if the Act requirements were not introduced.

311. This analysis does not account for any future trends in the frequency of fire ignitions. The frequency of fire ignitions could, for example, be affected by changes in the quality and safety of household appliances used in flats, but it was not considered proportionate to model the profile of this technological change.

**Impact of fire incidents**

312. Through case studies and industry knowledge, and considering developments following the Grenfell tragedy (e.g. the introduction of waking watch in some higher-risk buildings and

[64] https://www.gov.uk/government/collections/fire-statistics

[65] Modelling the occurrence of larger scale (and less frequent) fire incidents as a Poisson process.

changes to FRS policies regarding evacuation), high, medium and low estimates have been made of the expected impact of fires of varying severities in in-scope buildings.

313. Impacts considered include casualties and fatalities (valued using DfT TAG figures[66]), mental health impacts, property loss, demolition, and operational costs.

314. Combining the estimated frequency of fire incidents in the counterfactual with the estimated impact of each type of incident gives an estimate of the expected impact of fires over the appraisal period in the absence of the Act requirements.

315. Potential future changes which could affect the impact of fire incidents, such as emergency services' response to fires, changing demographics of residents of in-scope buildings, and changes in the ability to treat the physical and mental harm caused by fires, have not been modelled.

**Effectiveness of the Regulator in preventing fire incidents**

316. It is then necessary to make an assumption on the extent to which the requirements of the Act will reduce the risk of fire incidents in in-scope buildings (and how this would vary over time). In the absence of data relevant to these specific circumstances, judgments were made as to reasonable high, medium, and low estimates of risk reduction. Feeding into this judgement were estimates of the rate of new buildings and refurbishments that will be subject to the Act requirements (and so the proportion of the total building stock that these will make up), and the anticipated profile of Building Assessment Certificate applications and subsequent remediation works in the existing stock. It is further assumed that the Regulator will have a lesser impact on the frequency of less severe fires, as a proportion of these are more likely to be caused by factors that cannot be effectively addressed by a regulator.

317. As discussed above, this Impact Assessment estimates benefits that will arise from a 15-year policy period as a result of safer buildings. Some of the benefits are expected to persist over the life of a building (typically 60 years) and as a result, a proportion of the benefits are anticipated to persist (for example, benefits resulting from improved build quality will persist for the lifespan of the relevant building). Conversely, for various reasons one would expect that the impact of the actions of the Regulator during the policy period on the frequency of fires is likely to decline as the end of the appraisal nears (that is, the quality of engagement with residents and the safety benefits resulting from this may decline over time if it was no longer mandated).

318. However, given that the regulatory regime introduced by the Act will have a number of interconnected aspects, the effects of which might be expected to persist for different periods of time, it is disproportionate to attempt to quantitatively disentangle the effect of each of these aspects on the evolution of the expected frequency of fires over the appraisal period. Therefore, assumptions as to the rate at which the impact of the Regulator on the expected frequency of fires will decline over the appraisal period have been based on judgment, having regard to the range of aspects of the functions of the Regulator, the profile of the building stock over time and so on.

**Conclusion**

[66] £2.0m per fatality and £60k per casualty on average (calculated using a weighted average between 80% minor injuries and 20% major injuries) (2019 prices).

319. As set out above, these estimates of the benefits of the Act requirements in reducing the risk of fires are subject to a great deal of uncertainty. They rely on several assumptions, some of which are driven in whole or in part by judgment. It is hoped, however, that the suggested range of benefits, £47.6m - £325.9m per annum, can provide some insight into the likely scale of the impact of the Act requirements in this area.

## Avoided costs of resolving systemic issues

320. The use of unsafe building products or practices in the construction and refurbishment of buildings can make them unsafe and subject to risk. In some cases, this can occur across a wide portfolio of buildings (when poor practice is systemic), and when identified, the issues need to be addressed through remediation, incurring potentially substantial costs (cost of putting in place interim protection measures, cost of investigation, cost of remediation works etc.). These costs are in addition to the costs incurred if these products or practices result in a fire or structural incident. For example, the installation of unsafe Aluminium Composite Material cladding on buildings has, in addition to the human and wider costs caused by fires, led to significant expenditure required to mitigate the risk posed by such cladding (for example, waking watch) and ultimately to remove and replace the cladding.

321. It is expected that the Act requirements will reduce the probability that unsafe products or practices are used in buildings constructed or refurbished during the policy period. This would mean that costs of mitigating or remediating the systemic use of such products or practices would be avoided, representing a benefit to society.

322. It is assumed that this benefit will only apply in respect of new in-scope buildings and buildings undergoing major refurbishments (the Regulator cannot retrospectively prevent past systemic poor construction in the existing stock, although it can identify and mitigate the risks posed by them).

323. We cannot know the exact nature and scale of future potential systemic issues, therefore in this assessment we have assumed a future issue would be similar in terms of number of buildings affected and scale of cost to that of the unsafe Aluminium Composite Material cladding issue (i.e. affecting 490 buildings, which equates to 3.3% of the stock, at an average cost of £3.2m per building[67]). Therefore, it is assumed that 5% of new buildings or those undergoing major refurbishments would be subject to issues that would later (over the next twenty years) require mitigation and remediation (it should be noted this approach of making an estimate based on a single historical example is subject to significant uncertainty).

324. It is not certain that the Act requirements will prevent, at the time of construction or refurbishment, all future potential systemic issues. For example, problems with certain materials or construction processes, currently deemed compliant, may only be identified after buildings start failing. Reflecting this, it is assumed that the Act requirements would reduce the risk of such issues arising in new buildings or buildings subject to major refurbishment during the policy period by 60%. This is based on a judgement. Due to the lack of evidence to support a specific range or confidence interval on this estimate of risk reduction, sensitivities of +/- 30%, applied

[67] The estimated cost per building was based on industry knowledge and a set of three case studies.

to the mid-point estimate of the benefit value, have been tested. This same approach was taken with respect to the benefits discussed in the following sections.

325. The methodology and assumptions set out above, inform our suggested benefit of £11.3m - £22.6m per annum of reducing the cost of resolving systemic issues.

## Indirect benefits to the construction industry

326. The additional scrutiny of plans and construction works due to the Act is expected to result in reduced defects both during and at the end of construction and reduced latent defects identified during occupation. This will result in the avoidance of costs incurred to remedy such defects. Following the introduction of the proposed regime, reducing defects that are typically identified and resolved during construction is assumed to have an average cost saving of £37,500[68] per new building whilst reducing defects identified at the end of construction is assumed to have an average cost saving of £40,000 per new building. Avoiding latent defects identified during occupation are expected to lead to a cost saving of £500,000 in rework costs per building.

327. Other indirect benefits to the construction industry are estimated to arise from:

- The requirement for pre-approval of works by the Regulator at Gateway two is expected to reduce construction rework costs. The requirement to have approval for works before they commence is expected to avoid instances where products or systems that are not approved are installed or delivered to site and subsequently have to be replaced. This is assumed to apply to 15% of new buildings with an average saving of £80,000.

- The requirement for a digital record at Gateway three has the potential to reduce asset management and invasive survey costs. An accurate record of building layouts and installed systems products is expected to facilitate more efficient asset management, with 37.5 hours per annum per new building assumed to be saved in asset management time, while one invasive survey per new building is assumed to be avoided every five years, at an average cost of £5,000 per survey.

328. Estimating the sum of the total indirect benefits to the construction industry and building owners, suggests an annual benefit in the range of £34.5m-£64.0m.

## Reducing the risk of structural issues

329. Safety cases should help to prevent structural issues which cause falling windows and balconies and collapsing buildings from occurring.

330. Safety cases combined with other aspects of the Regulator ’s operations will improve early identification of faulty balconies and windows. This will enable the cost-effective replacement of

[68] These figures are based on subsidiary assumptions as to the number of such defects that would be expected in the counterfactual, what each one would be expected to cost, and how many would be avoided as a result of the Building Safety Bill proposals. These assumptions are in turn based on a combination of case studies and judgment.

such features before an incident occurs. The total cost per each avoided incident is estimated to be £3m and our analysis has assumed 80% of the risk of such an incident will be mitigated by safety cases. This leads to an average replacement cost per building following an incident of £2.4m. Given the exceptional nature of such an incident, this is assumed to apply to 0.002% of the building stock each year with an average annual saving in the range of £1.0m-£1.8m.

331. Similarly, safety cases combined with other aspects of the Regulator 's operations are likely to identify wider structural issues within buildings enabling these to be addressed before a major incident occurs, such as a full or partial building collapse. The total cost per each avoided incident is estimated to be £14.3m and our analysis has assumed 80% of the risk of such an incident will be mitigated by safety cases. This leads to a saving per building of £11.4m. The avoidance of such major incidents is assumed to apply to 0.001% of the building stock each year, giving an expected annual cost saving across the building stock in the range of £1.6m-£3.1m.

332. Estimating the sum of the total benefits of reducing the risk of structural issues suggests an annual benefit in the range of £2.6m-£4.9m.

## Annex B: Non-FTE and capital Regulator cost allocation

333. The costs to the Regulator in the main body of the Impact Assessment include operational resource costs and capital costs that are not simply FTE. These are apportioned across all functions of the Regulator based on a series of allocations.

334. Operational resource costs that are not FTE include elements such as additional IS/IT costs, science and research support and communications and stakeholder engagement (this list is not exhaustive). For these areas, the total spend was apportioned across all regulatory functions based on FTE split. For example, if the higher-risk buildings in-occupation function of the Regulator utilised 15% of total FTE coverage, it would be allocated 15% of the operational resource costs.

335. The only deviation from this breakdown is for legal costs/fees. These are only split across the special investigations teams functions, which include the three set out in table 23, and an additional one for the building control function (which relates to Part 3).

336. The capital costs are split by three separate allocations: BETA, IT hardware and other (capitalised research and evaluation). BETA relates to the BETA build of the digital services that support the Regulator. The BETA breakdown was mapped to Regulator's functions and allocated based on the original BETA split. IT hardware is split similarly to operational resource cost, based on FTE apportionment across all Regulator's functions. Lastly capitalised research and evaluation is apportioned based on assumptions of what the research will be supporting and which Regulator function might commissioned the work.