



## Department for Levelling Up, Housing & Communities

Lord Khan  
House of Lords  
London SW1A

**Lord Greenhalgh**  
*Minister of State for Building Safety and Fire  
(joint with Home Office)*

***Department for Levelling Up, Housing and  
Communities***

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10 March 2022

Dear Lord Khan,

Thank you for your important contributions at Committee stage of the Building Safety Bill on 28 February. During the debate on Amendment 45, you asked whether the Government has considered the levels of service charges and whether leaseholders will be able to bear the costs of the appointment of a third party professional to carry out the functions of an Accountable Person in a leaseholder-owned or leaseholder-controlled companies, as proposed by the amendment.

Clause 3 sets out the new Building Safety Regulator's statutory objectives which ensures that it has a clear mission to secure resident safety and improve the standard of buildings. The new Building Safety Regulator is being established in the Health and Safety Executive, because of its experience overseeing safety case regimes and record of delivering robust yet proportionate regulation.

Under the new regime, Accountable Persons will be required to actively manage building risks, evidencing this through a 'safety case'. This will ensure proportionate steps are taken, taking into account safety and cost, to deal with fire and structural safety risks by those responsible for high-rise residential buildings in occupation. Leaseholder-owned or leaseholder – controlled companies will become responsible as the Accountable Person if their building is in scope. They will be also required to pay for the ongoing building safety management as the leaseholders of their building.

The bill sets out a building safety charging mechanism and as you will be aware this will be simplified and included within the service charge by a forthcoming Government amendment. Our amendment will make the building safety charge an identifiable part of the service charge. This will keep building safety costs transparent while allowing them to operate as part of the service charge system.

We believe very strongly that any costs levied through the service charge should be justifiable and transparent. There is a clear route of redress if leaseholders are charged unreasonable service charges through the appropriate property tribunal. Indeed, leaseholder owned or leaseholder-controlled companies may have been formed due to the mismanagement or due to excessively high service charges levied by a former freeholder.

Amendment 45 proposed that such organisations should be able to appoint a third party professional to carry out the functions and take over the liabilities of the Accountable Person on their behalf under Part 4 of the Bill. The remuneration to carry out this role would need to be of a level to attract professionals with the required skills and knowledge to effectively carry

out the role. The role would also need to be covered by professional indemnity insurance which would add to the costs. The amendment proposed that the costs of such a role be re-charged through the service charge.

This third-party professional appointment would no doubt add to the costs that leaseholders pay through their service charge. Whilst we have endeavoured to keep the regulatory regime proportionate, whether the costs of such an appointment is affordable would depend on the property management market, and the availability of such professionals to take up the appointment. This Government is sympathetic with leaseholder led management companies, and increased service charge cost is one of the reasons why we resisted the amendment and committed to giving further thought to the question of resident led buildings in scope of the new regime within our leaseholder reform policy.

I hope the above provides assurances that we have considered the consequences of the proposed amendment 45 in relation to the service charge costs of leaseholder-owned or leaseholder-controlled companies in higher-risk buildings.

I am placing a copy of this letter in the Library of the House.

**Yours sincerely,**

A handwritten signature in black ink, appearing to be 'Sgd' followed by a stylized flourish.

**Lord Greenhalgh  
Minister of State for Building Safety and Fire  
Department for Levelling Up, Housing & Communities and Home Office**