Strengthening leaseholder protections over charges and services

L&Q Response

September 2025

About L&Q

L&Q is one of the leading housing associations in the country. We house around 250,000 people, mainly from across London, the South East and North West of England. Our vision is that everyone deserves a quality home that gives them the chance to live a good life. We are coming towards the end of our current 5-year strategy and have already made significant progress, including:

- Launching a £3 billion, 15-year major works investment programme that will make sure every resident's home is safe, decent and more energy efficient.
- Improving the quality and responsiveness of our repairs service through a change programme which has already delivered a 20% increase in first-time fix on day-to-day repairs.
- We're also developing new systems and ways of working to improve how we manage our data and information, and how we communicate with residents, particularly vulnerable residents who may need different types of support.

However, we are operating in a very challenging economic environment, with rising interest rates, inflated costs and capped rents putting pressure on our ability to spend. We have committed to investing significant sums to bring our homes and services in line with changing regulatory standards, and the decisions we make are centred around safeguarding that investment.

Executive Summary

At L&Q we aim to ensure transparency, accountability, and value for money for residents. We therefore support the Government's efforts to strengthen these principles for leaseholders. We've heard clearly from leaseholders that they want their buildings to be well managed and maintained, and that service charges should be fair, transparent, and accurately reflect the services provided. We have been working towards this in several ways, including signing up to the Shared Ownership Code, which aims to improve customer experience and updating terminology on individual charges and providing definitions for them on our website. We are also progressing several other initiatives, including a market research project involving a representative group of residents that includes leaseholders to better understand their experiences with our communications.

In line with our goals to maximise resident satisfaction, we endorse the following proposals from this consultation:

- the need to reform the S20 process;
- the principle of mandating reserve funds linked to long-term asset management plans;
- the need to provide residents with as comprehensive information as possible on insurance and other chargeable costs;
- and the professionalisation of managing agents.

While we support the Government's intention to protect leaseholders from unreasonable charges, we are concerned about some of the unintended consequences of these proposals in practice. Ensuring affordability for residents is a core priority for L&Q, and the cost of implementing reforms for achieving the above aims may burden leaseholders by pushing up service charges. It would also impact the financial capacity of L&Q, including our ability to invest in homes. So, to succeed, reforms need to:

- minimise costs wherever possible;
- avoid duplicating other existing or forthcoming requirements;
- and be proportionate in the impact they seek to achieve.

We think that the proposed changes fail these tests. They will entail significant costs, liabilities, and operational complexities. These would cumulatively increase service charges and place significant financial disincentives on being a freeholder of blocks of leasehold flats. This could reduce the appetite for building leasehold blocks (or Commonhold in the future) and of leaseholders to pursue self-management options.

In some cases, proposed requirements duplicate existing regulation or requirements – including in social housing regulation and procurement. We are concerned that the right to request information and obligation to produce an annual report could apply to all homes on fixed service charge regimes. We think that this would duplicate or exceed existing requirements for social housing, at significant cost, and provide information not relevant to tenants due to the nature of the fixed service charges.

We are concerned that parts of the proposals lack clarity. To be proportional, the definition of a 'block,' to which some of the proposed requirements would apply, should be limited to larger multi-occupancy buildings, and not to converted or purpose-built multi-dwelling street properties.

There may be unintended inflation of management costs from changes intended to make it easier for leaseholders to seek recourse against landlords for mismanagement. We agree that the cost of any claims

upheld should not burden leaseholders. However, additional complexity, assurance controls and other risk mitigation measures may have costs that would unfortunately be passed on to leaseholders through service charges.

We foresee that costs and complications will be especially pronounced for mixed-tenure estates with multiple/differing levels of landlords, especially for affordable homes on private estates acquired through S106. This could result in duplication of costs for some leaseholders and shared owners. The proposals may disincentivise development of new mixed-tenure communities, potentially hindering efforts to meet the Government's 1.5m new homes target.

We support the Government's intention to protect leaseholders from unreasonable charges. However, for most landlords, including L&Q, rising service charges reflect the inflationary costs of operating and maintaining increasingly complex buildings. The proposals under consultation will not reduce any of those costs – and as proposed seem more likely to increase them.

Part 1: Implementing the Leasehold and Freehold Reform Act 2024

2. Driving up transparency of fees and charges (including 2.1 New Annual report and questions 17 – 23)

We think that the Government's proposals would increase transparency and protection for leaseholders and L&Q supports those objectives. However, it's important to note that implementing these changes will be complex in practice and may increase the cost of managing buildings. Thus, there is some concern that this will increase charges for leaseholders, which we are keen to prevent whenever possible.

We foresee that there will be challenges in preparing the information proposed for the annual reports, due to data being held across a number of different systems. Addressing this will require either updating existing systems or undertaking significant work to collate and reconcile data from various sources. The task of collating and adjusting information from a functional service design so that it reconciles with individual blocks and estates will introduce a further layer of complexity. There is also likely to be further costs when working with suppliers of IT systems to accommodate any changes.

Considering this technical difficulty, we think that the proposed (up to) £5,000 penalties of compliance failure per leaseholder are excessive. The definition of 'sub-standard quality' reporting that incurs such penalties needs to be clarified to ensure that requirements are reasonable and penalties proportionate.

The Government is proposing that landlords be required to provide leaseholders with a variety of technical data (e.g. FRAs, lift service records) on request. We think that Government should clarify whether we would be expected to provide such documents in their original form, or in a form explicitly intended for a layperson to understand (the production of which can require significant administrative resource). Government should also provide guidance on how sensitive data in such disclosures should be treated (e.g. the redaction of commercially sensitive information).

Again, in relation to information requests, some of the technical information requested may be provided by an external provider and exist in draft within our records for extended periods, pending review. The Government should provide guidance on whether we would be required to release only final/approved data, or also earlier drafts of a given report. We think that the timeframes for returning any given report on

request should be two to three months from the receipt of the final report by us, to allow for final review and redactions.

We agree in principle that landlords should provide an Asset Management Plan (AMP) with a long-term (i.e. 30-year) Capex plan. In practice, estimating some of the costs in question would be technically challenging considering the fluid economic and regulatory environment.

We think that the proposed annual report for building safety specifically requires some additional fields in the question set to allow for a larger number of alternative scenarios (e.g. where the external walls of the building have not been inspected).

In relation to scope, the requirements' references to 'blocks' are unclear and open to different interpretations. If a 'block' applies to single street properties, implementation would be made significantly more challenging, and we think disproportionate. We think that the Government should more clearly define a 'block' as a multi-occupancy building with a specified minimum number of properties. We think that Government should work with the appropriate bodies to arrive at a definition that is proportionate (e.g. RICS and TPI).

The Government should also consider the practical implications on Intermediate Landlords, where a Superior Lease is held, and any service charge information and reports are cascaded through multiple ownership layers before arriving with the end leaseholder. Given that there could be workload being duplicated throughout all these layers, this may increase cumulative costs for the end leaseholder.

We are particularly concerned that as it stands the Leasehold and Freehold Reform Act 2024 (LAFRA 2024) would extend all the proposed protections to all homes on fixed service charge regimes, in addition to those on variable service charge regimes. Specifically, Part 4 'Regulation of Leasehold' of LAFRA 2024 amends the Landlord and Tenant Act 1985 to extend protections to fixed service charge regimes. Considering reforms to transparency in the social rented sector (STAIRs), we think that this would duplicate some requirements, at significant cost.

We support the move to provide fair and transparent insurance details to residents, notably around commission-based fees. L&Q typically does not currently levy or charge commission to their leaseholders due to the way in which we procure insurance policies (usually taken out directly with the insurer, with no broker or other third-party involvement).

We support the proposals on rebalancing litigation costs in principle, especially where leaseholders can successfully prove mismanagement by their landlord. This is key to leaseholders holding landlords accountable. In practice, they may also expose landlords to speculative enquiries by claims farms. Thus, we welcome the Government's acknowledgement of this risk and commitment to separately consult on relevant proposals later this year. However, it's also important to note that like other proposals, we are concerned that managing this risk at an organisation-wide level could result in increased costs (which means upwards pressure on management fees).

The proposals for financial penalties on landlords, especially combined with rebalancing litigation costs, could require landlords to procure additional assurance controls – for example Professional Indemnity Insurance – which would also likely be reflected in increased management fees. We think that the proposed changes would add further layers of complexity to an already challenging situation, are likely to result in increased costs to organisations, and by extension lead to increased management fees.

Any increased management fees would be recurring, and not just one-off. Indicatively, the standard annual management fee charged by L&Q members can range from £200 to £300 per flat per annum. This is broadly typical of the sector, however there will be exceptions.

The housing association sector has typically set fees at levels below actual operating costs and is only just beginning to reassess these in consideration of other operational challenges (i.e. standards of the new "building safety regime," meeting Housing Ombudsman recommendations, and Consumer Standards set by the Regulator of Social Housing). It would be reasonable to anticipate that meeting these challenges will result in increases in management fees, and that any further regulations (such as those proposed here) will further add to those increases.

Part 2: New additional service charge reforms

3. New proposed reforms of the major works regime

We agree that S20 thresholds need to be reviewed, as they were last set in 2002, and they can be onerous. For context, The Property Institute's annual service charge index in 2024 indicated that between 2019 and 2024 relevant costs rose 41%, compared to the 23% cumulative inflation rate for the same period.

We would strongly recommend that the Government makes S20 consultations digital by default, with safeguards to prevent digital exclusion (e.g. requiring landlords to make it easy for leaseholders to request or opt in to alternatives such as paper mail). This would align with the current practices of other sectors, such as banking.

3.1 Mandating reserve funds and planning for major works (including questions 116 – 127)

We agree with mandating reserve funds in principle, as collecting reserve contributions funds (a sinking fund) is a prudent measure that will help to mitigate against the risk of increasingly unaffordable service charge demands in the future.

We would caution that the linked requirement for the provision of reports to residents providing accurate costs projections is methodologically challenging. This is because the reports would need to estimate costs related to building safety and regulatory compliance—areas that are often unpredictable and subject to change. We would recommend a greater focus on accuracy for costs that landlords can be expected to predict such as routine planned investment activities, e.g. the replacement of components with a known life cycle).

We would recommend that reserve fund contributions be mandated to align with stock condition surveys and Capex plans for an appropriate timescale (i.e. 30 years), and that this to be applied to new developments as well as existing leases.

It should be noted that meaningful increases in reserve fund contributions would burden leaseholders through respective increases in their service charges. For newer buildings, the benefits would be relatively easy to communicate to residents. But for older buildings, reserve fund costs would be in addition to any more immediate costs residents are being charged already (due to the absence of a reserve fund previously, or prior contributions being set below optimal levels).

3.2 Reforming the major works consultation process (including questions 128 - 140)

We agree that S20 consultation thresholds need to be reviewed. However, we would recommend setting thresholds higher than the proposed amounts, which we understand are aligned with inflation. As stated, the Property Institute's annual Service Charge Index in 2024 indicates that the cost of operating and maintaining buildings has grown significantly beyond inflation. We therefore think that for major works the threshold should be raised from £250 to at least £1,000 and fixed to an appropriate index to account for relevant further growth.

To illustrate how current S20 requirements can be onerous, we are currently required to consult for even relatively minor changes to charges and obliged to do so by paper mail only. L&Q typically manage multiple S20 consultations every year. An example of a recent Qualifying Long-Term Agreements (QLTA) S20 was for a portfolio-wide asset compliance agreement to c. 34,000 households, costing c £80,000 for postage and printing alone (not counting staff time). We would therefore suggest that the Government removes the requirement for QLTA S20s altogether, as procurement for these is already tightly regulated, providing the best value for money that the market allows, and consultation never results in a change of outcome. We would recommend replacing them with notification of any new QLTAs in annual reports.

Should the Government be minded to not remove the requirements for QLTAs, we would recommend that the threshold for contract length be extend from the current one year to three years, and that the cost threshold be increased from £100 to £500.

We also recommend that the Government considers the consultation requirements for major works and QLTAs for estates with multiple layers of ownership (i.e. Superior Leases etc.). Where intermediate landlords are in place, both the resident leaseholder and intermediate landlord should be consulted as per Foundling Court and O'Donnell Court v London Borough of Camden [2016] UKUT 366 (LC).

3.3 Protecting leaseholders' money (including questions 141 - 145)

Registered Providers like L&Q are exempt from Section 42 of the Landlord and Tenant Act 1987, and we would propose that this should remain the case. We think that requiring us to hold leaseholders' monies in separate ring-fenced accounts would introduce unnecessary cost and burden when the sector has sufficient protections in place already.

As a Registered Provider of social housing, L&Q are subject to the Regulator of Social Housing's Governance and Financial Viability Standard. This includes requirements for prudent financial management, internal controls, and external audit. Leaseholder funds are managed within these frameworks, and are subject to scrutiny through annual financial statements, internal audit, and external assurance processes. Introducing ring-fenced accounts would duplicate existing safeguards and impose unnecessary administrative and cost burdens without delivering additional benefit to leaseholders.

3.4 Protections for leaseholders paying fixed service charges (including questions 146 - 148)

We agree with the proposed protections in principle.

However, as noted above, we are concerned that the proposals as currently drafted apply to all those paying a fixed service, in addition to those on variable service charge regimes. We think this would be an unnecessary and inappropriate duplication of regulation.

Specifically, we are concerned that the proposals, as drafted, would apply not only to leaseholders but also to Social Rent homes whose tenants pay fixed service charges. This risks duplicating existing

regulatory requirements under the Regulator of Social Housing's Consumer Standards, particularly around transparency and value for money. These obligations apply regardless of whether the service charge is fixed or variable. For fixed charges, the amount may be set by formula or lease terms, but the requirement to be transparent and fair still applies.

We think that extending leasehold-style protections to fixed charges in Social Rent settings would be disproportionate and administratively burdensome, especially where charges are already capped or formula based (Section 13 Form 4). We urge Government to clarify the scope and ensure that reforms do not inadvertently overregulate.

We do not think it practical for fixed service charge paying tenants to have the right to challenge the reasonableness of their service charge through a First Tier Tribunal. As stated in the consultation document 'this is likely to present practical and operational difficulties if the landlord overcharges for one year but undercharges the next.' Fixed service charge paying tenants can challenge service charges through County Court.

3.5 Powers to appoint a manager or replace a managing agent (including questions 149 - 154)

On the process of appointing an independent manager, we think changes should be contingent on all internal escalation routes being exhausted before this can be appointed/applied for.

There is also the risk that while externally appointed managers answerable only to a tribunal may be cheaper, they would not necessarily offer the best service, nor would they be more accountable to residents.

3.6 Providing information and services digitally (including questions 155 - 157)

We agree strongly with this proposal though, as noted elsewhere in our submission, we think digitisation should be implemented with safeguards to prevent digital exclusion.

4. Qualifications of managing agents

We agree with the proposals to regulate managing agents and introduce mandatory qualifications.

We also think that to ensure parity of standards across different organisations doing the same work, it should apply appropriately to Registered Provider staff that manage leasehold buildings, subject to the details of the qualifications required. This work entails sensitive responsibilities and should be professionalised.

This may have some cost implications – estimating these depends on how many employees involved in associated tasks would need qualification. Indicatively current TPI Level 4 (Ofqual certificate) is £550, plus study time etc, plus recurring annual fee of £200 per member.

Beyond cost, this may overlap with the Competence and Conduct Standard coming into force from Oct 2026 and we would urge Government to avoid unnecessary duplication.

We do not agree that local authorities should be responsible for enforcement. Relying on local authorities could result in inconsistencies across regions which, aside from the risk to leaseholders, would be a challenge for organisations to navigate.

Section 1: About You Questions

Question 1 – Where are you based?

- England
- Wales
- Other

England

Question 2 – What is your name?

London & Quadrant Housing Trust

Question 3 – What is your email address?

ashaw@lqgroup.org.uk

Question 4 – Are you responding on behalf of an organisation?

- Yes

If 'Yes' what is the name of the organisation?

London & Quadrant Housing Trust

Question 5 – If you are responding on behalf of an organisation, which of the following best describes you:

a. I am responding as a leaseholder representative organisation
b. I am responding as a property managing agent organisation (private)
c. I am responding as a property managing agent organisation (social landlord)
d. I am responding as a freeholder organisation (private)
e. I am responding as a freeholder organisation (social landlord)
f. I am responding as an insurance broker organisation
g. I am responding as an insurer organisation
h. Other (please specify).

e. I am responding primarily as a freeholder organisation (social landlord). We also act as a managing agent on joint venture schemes with private house builders.

Question 6 – If you are responding as an individual, are you a:

a. Leaseholder or resident of private housing
b. Leaseholder of social housing
c. Tenant of social housing (housing association / local authority/other social landlord)
d. Owner of shared ownership property
e. Landlord
f. Managing agent
g. Insurer or insurance broker
h. Legal representative
i. Other (please specify).

Not applicable

Question 7 – If you are a managing agent: How many staff members do you employ?

All staff are employed by L&Q Group. Where we act as a managing agent, our staff may work across both L&Q-owned and managed properties. As such, we are unable to provide a precise figure specific to the 2,206 units referenced. However, we estimate that approximately four Neighbourhood Housing Leads (NHLs) are involved, along with partial contributions from other roles—for example, around 50% of a Service Charge Specialist's time is allocated to this stock.

Question 8 – If you are a managing agent: How many blocks do you manage?

84

Question 9 – If you are a managing agent: How many leasehold units / dwellings do you manage?

2,206

Question 10 – If you are a landlord or managing agent: How many properties (e.g. individual flats) are you responsible for?

27,191 Leasehold & Shared Ownership units out of a total of 113,242 units. We have 7,128 variable service charge paying tenants and 46,677 fixed service charge paying tenants.

Question 11 – If you are a landlord or managing agent: Do you charge a fixed or variable service charge? [fixed service charge/variable service charge]

We charge variable service charges to Leaseholder, Shared Owners and 7,128 tenants. The majority of our tenants (46,477) pay a fixed service charge.

Question 12– If you are a landlord or managing agent: How many times a year do you issue a service charge demand form to each of the leaseholders you manage?

Twice – an estimate and actual.

Question 13 – If you are a landlord or managing agent: When issuing a service charge demand form, do you:

a. Collect and provide the required information yourself?
b. Outsource the process?

If you Collect and provide the required information yourself, how long does it take? How much does it cost you? [Free text]

If you outsource the process, who to? How much does it cost? [Free text]

L&Q collects and provides the required information ourselves. We have a large internal team for service charge administration totalling 36 staff. Due to increasing demands being placed on this team we are expanding this team by an additional 10 staff in 2025/26. This equates to £2.2m in staff costs. In addition to this we outsource the mailing at a cost of £300k per annum.

Question 14 – If you are a landlord or managing agent: Do you rely on an external software provider for general data collection? [No]

If so, what is their precise role (i.e. do they provide standardised templates which you, the landlord/managing agent, complete, or do they actively provide said data)? [Free text]

Currently L&Q have their own inhouse service charge system. However, we are moving to a new IT system from NEC Software Solutions at some point in the next couple of years.

Question 15 – In your role as landlord or managing agent, have you been involved in proceedings related to a leasehold issue before a relevant court or tribunal?

Please select all that apply:

a. Yes, I've brought a claim against a leaseholder/s in a court or tribunal
b. Yes, my leaseholder brought a claim against me in a court or tribunal
c. No
d. I don't know

Yes, leaseholders have brought claims against us in the first-tier tribunal (FTT).

Question 16 – If you are a leaseholder: Have you been involved in proceedings related to a leasehold issue before a relevant court or tribunal?

Please select all that apply:

a. Yes, my landlord brought a claim against me in a court or tribunal
b. Yes, I brought a claim against my landlord in a court or tribunal
c. No
d. I don't know

Where we hold a headlease, we have been involved with the superior landlord in proceedings brought by an under lessee. We have not brought a claim ourselves against a superior landlord.

Section 2 - Questions about implementing the Leasehold and Freehold Reform Act 2024

Question 17 – Do you agree with the minimum information proposed for the annual report (at paragraph 29)? [No]

If no, what additions or changes would make it more effective?

The reason we have indicated no is that the amount of information proposed is quite extensive and currently it is held in various data sets across the business. L&Q is not currently able to hold information at the individual block level as we do not have systems to facilitate this currently. Initially collating the information for the first Annual Report will be extensive in time and cost. Some of the

information may not change that frequently but other elements will require an annual updating which could be significantly onerous on a landlord with a lot of properties.

We are concerned that the volume of information presented alongside budget and rent increases may be overwhelming for residents. This could result in confusion or lead to the information being overlooked entirely. For shared ownership leases they will be receiving significant amounts of information on their rent increase, and for shared ownership leases under the 2021/26 ADP they will also receive additional information concerning the initial repair period. In addition to this additional information is proposed by the Shared Ownership Council Code. They may well receive the standard budget which is not short and potentially the annual report which is 6 pages.

The annual report including what plans for major works are occurring 2-years in advance is feasible for some projects (e.g. planned window renewals due to aging and deteriorating condition) but would be much harder for mechanical and electrical works (e.g. unexpected lift failures). If this requirement were to be put in place, a reasonable exceptions clause would have to be included. We also have concerns about Government requiring information on whether the anticipated costs are covered in whole or part by a reserve/sinking fund as we won't know the cost at the point of sending out the annual report.

While we recognise the importance of including some historical information—such as details of the last cyclical works—there may be challenges in accessing this data, particularly in cases where properties have changed ownership through stock transfers or mergers. In such instances, historical records from previous landlords may not always be available. We would also like the Government to clarify if there would be a penalty for not completing information where it is not known. We would also like clarity on if there is a year-on-year default if information is not known for several years.

In regard to part 4 of the annual report we don't believe that the inclusion of foundations is relevant. However, it may be prudent to differentiate on roof types, as a flat roof will need renewal sooner than a pitched roof.

Part 6 – Client Money Protection needs to indicate that Housing Associations are exempt in most cases.

Question 18 – Should the information in the annual report be set out in a prescribed and standardised manner? [Yes/No]

Yes. Although the volume of information is problematic, a standard document would be useful.

Question 19 – Do you agree with the proposals for the annual report for leaseholders in retirement properties and pay both fixed service charges and an event fee? [Yes/No]

Please, explain your answer.

At L&Q, we do not have a view on fixed service charges for leaseholders in retirement properties. However, we are concerned that LAFRA 2024 will extend to all fixed service charge payers, in that tenants who pay a fixed service charge are to be now required to receive an Annual Report,

Estimate and a Right for Information. As a result, we will have to provide information across far more blocks and this would substantially increase the number of residents who could ask for information. It would increase from the 27,191 Leasehold & Shared Ownership units and 7,128 variable service charge paying tenants to include 46,677 fixed service charge paying tenants.

Question 20 – For those with a superior landlord, how do accounting periods differ between that of the superior landlord and the head lessor? [0-1 month/1-3 months/4-6 months/over 6 months]

Commonly, our superior landlords have January, April, July, and October as commencing financial years or even 25th March as a Quarter Day.

Question 21 – Where there are different accounting periods between head lessors and superior landlords, do you agree with annual report exemption Option 1 or Option 2 as a means to ensure leaseholders receive timely information? [Option 1/Option 2/neither]

If neither, please suggest what other arrangement should be in place?

We agree with option 2, as option 1 could mean long delays. However, option 2 could cause more work as, presumably, a further annual report (or updated version) has to be served once the head landlord provides the information (as identified in the consultation document).

Question 22 – What circumstances are there where the proposed minimum information may not be available to the landlord to provide the annual report in the specified time period? Please, explain your answer.

This is covered in Q17 and Q2. There also needs to be some guidance/exemption where the information is not available for the reasons set out in the consultation (especially of stock transfers/mergers etc). We believe the current landlord should not be penalised if the information is not available.

Question 23 – Should there be any other exemptions for provision of some or all parts of the proposed annual report which should apply? [Yes/No]

If so, please explain.

Yes. In relation to fixed service charge paying tenants, much of it would not apply (major works information etc due to Section 11 Landlord & Tenant Act 1985). We require the Government to provide exemptions where the information is simply not available to the landlord and thus would otherwise result in a year-on-year default.

Question 24 – Do you agree with the proposed contents of the initial service charge demand form? [No]

If not, what changes to the proposed contents would you like to see?

We would opt for Annex B2. Assuming that it has the first page of Annex B, and only the second half is different, we believe that Annex B2 is clearer and provides a better breakdown of costs.

As L&Q prefers to give an even more comprehensive breakdown (by separate heads of charge), we believe this should be a minimum requisite rather than a requirement for Landlords if they wish to provide detail beyond this.

However, the management fee should be in its own category. It should not be grouped with fees for concierge/reception, stationery and postage and directors' and officers' insurance. These should be under other headings. We would also like the Government to clarify how the proposed demand form should be filled in in cases where a landlord has numerous schedules.

In reference to Annex B3, we would like to ask the Government for clarification on "what balance brought forward" refers to, as we don't usually issue this.

We would like to note that regarding Major Works, we send out separate demands as part of a final account rather than demand on estimate.

As we state in later answers to questions 47-50, we have concerns that the legislation is to apply to tenants as well as leaseholders. As drafted it also includes fixed service charge payers as suggested in section 2.5 of the consultation.

Question 25 – Do you consider that the new building safety information should be provided as part of the service charge demand or annual report? [Yes/No]

Please explain your answer.

We believe building safety information should be provided as part of the annual report, but the costs should be shown in the demand. However, it is important to note that this would require the annual report to then be served at the same time as the budget as the S113 Building Safety Act 2024 requires information to be given to the leaseholder and the service charge is deemed not served until it is. Therefore, you couldn't include information only in the annual report if it is to be served one month after financial year commences, as this could lead to a delay in payment.

Additionally, although we presume the new building safety information provided would be in both Annex B and B2, it doesn't appear to be present in Annex B.

Question 26 – Which option do you think provides the most appropriate level of breakdown of heads of costs budget headings for the annual budget document? [Option 2]

Option 2. This will provide certainty, and Option 2 might cause confusion for landlords as we would have to guess what each item of expenditure in Option 1 would include.

Question 27 – Do you consider that details of the budget should be provided as part of the initial demand form or as part of the annual report? [Yes]

Explain your answer.

The details of the budget should be given in the initial demand form, as the annual report can be served up to a month into the accounting year. If the demand is sent without the supporting budget, it could breach lease terms. Some leases already require this information, which can cause confusion for leaseholders if it's provided separately.

Question 28 – Do you agree with the proposed interim and reconciliation demands forms? [Yes]

Please explain your response. If you disagree, please suggest an alternative approach.

Yes. However, we would like the Government to provide more details on the "balance brought forward" entry. Within the Shared Ownership Council Code, it is only for any variance over 10%, excluding small amounts where the charge is, say, less than £50 pa. We would also like the Government to provide guidelines on when narrative is required and the level of narrative required. The consultation document states that reconciliation demands should be issued alongside the financial statement of account. However, while it mentions that a narrative explanation should accompany the reconciliation demand, it does not clearly reference the financial statement itself. This needs to be clarified to avoid confusion.

Question 29 – Should there be any exemptions from providing service charge demands using standardised forms? [Yes]

If yes, please explain what exemptions should apply, and why?

Yes, where landlords provide more than the minimum and may have multiple schedules relating to the scheme.

Question 30 – Do you agree that existing flexibilities to agree how service charge demand forms are provided should continue to apply? [Yes]

Please explain your answer.

Yes, as far as we are aware there is no legal precedent that allows an alternative method of service to be agreed other than an argument around estoppel. Also, not many people serve demands in the required way under S196 Law of Property Act 1925 (if lease contains such a clause) if no alternative is agreed upon. For further detail also refer to Q136.

Question 31 – Landlords and managing agents only: Is there any information for the proposed service charge demand and annual report that you do not already collect? [No].

If yes, **what is this information and how much time and cost** would it take to collect this information?

No, but information isn't always held in a single system or database, and how information is stored will vary from organisation to organisation. Some information will be more difficult for certain RPs to collate, such as where they have merged or have stock transfers.

Question 32 – Landlords and managing agents only: Do you use **management software**, or do you manually process demands? [professional management software/manually process/other]

If other, please provide details.

We use management software that is an inhouse system. However, we are due to move to NEC in the future.

Question 33 – Landlords and managing agents only: Would you need to make significant adjustments to your systems to meet the new information requirements? [Yes]

If yes, would any adjustments be outsourced (for example, to an IT software provider)?

Yes, we would need to make significant adjustments to meet the information requirements. To deliver this, some work would need to be outsourced—such as updating our Fire and Legionella risk management system, modifying our compliance database, and ensuring that the information L&Q already collects is easily accessible. Please also see the response to Q34 for more detail.

Question 34 – Landlords and managing agents only: How long would it take and how much would it cost you (or, if outsourced, the provider) in terms of set up costs to adjust systems to collect and provide the information proposed in the demand forms or annual report and thereafter additional ongoing costs? [Free text]

Please provide a breakdown of both set up costs which may be required and any additional costs of providing the information on an ongoing basis after set up.

L&Q can only estimate partial costs for making the changes that may be required to set up data stores and provide the information on an ongoing basis. A full solution and process design exercise would be required for accurate costing. Clear costs and timescales can only be assessed once proper clarity as to the detailed requirements and the specific definitions used for every field in the reports is provided. This must be compared with the emerging systems and process changes under L&Q's "Transformation Programme," since we do not know which systems we will be using across these business areas in 12-18 months' time.

L&Q does not currently have a centralised data store for a number of the items requested in the annual report form, in a format that allows for extraction on a per-leaseholder basis. This includes:

Providing a central data store for information not currently held centrally, which includes:

- Management Company, Managing Agent, Registered Tenant's Association, Resident Management Company, Right To Manage Company, Superior Landlord, and Principal Accountable Person contact details (this information is only stored locally by relevant affected teams and/or in relevant central government systems where so required);
- Building Safety Cases and the associated remediation;
- Fire Risk Assessment (FRA) data for buildings where L&Q is not responsible (where a superior landlord, managing agent or similar is involved).

Software changes would be required to L&Q's existing systems to centralise these data sets. Details on costs can be found below.

Exposing data already held in centralised L&Q systems

- FRA data is held internally for buildings where L&Q is responsible for providing FRA services. This uses a third-party software, Zetasafe. Enhancements would be needed to Zetasafe, at cost to L&Q, to allow us to extract this data automatically for the relevant Annual Reports. Absent detailed specification as to the requirements, we are unable to obtain a realistic estimate from Zetasafe as to the cost of this.
- L&Q holds Asbestos Survey information where it is required to do so. Some changes would need to be made to the way we record and aggregate this information, as we currently take a nuanced approach to Asbestos Management Surveys.

Administrative costs would be incurred to collate this information in the way the annual report form suggests it is presented.

Redesign of business process

Major works are not planned or procured by L&Q in a way that is compatible with us answering all questions completely relating to major works without alterations to our business processes and practices.

It is not feasible to estimate costs for this without a thorough assessment of the changes needed.

Ambiguous and unclear requirements

The annual report form specifies a number of fields where the definitions are unclear or ambiguous. It is not feasible to accurately estimate costs or timescales related to these.

L&Q are not clear where responsibility lies for collating data where L&Q has a superior landlord, or a Management Company or Managing Agent is involved.

Aggregation of Data for Reports

It is likely that significant changes would be required to our data and reporting platform to aggregate the needed data from various systems to produce the needed dataset for mail merge.

An indicative setup cost for the Data Integration would be £75k for internal software development and delivery alone (not accounting for additional infrastructure and running costs).

Mail merge of Reports

We would need to work with our third-party print and mail services to update templates and provided data fields.

Overall Timescales & Costs

With the background of L&Q's internal Transformation Programme, and other significant changes being required of L&Q to respond to other legislative and regulatory changes, we would estimate an approximate 24-month timeline to implement the changes needed to automate the production. The technology costs alone of implementing a new system to meet the requirements could be c£3.3m considering the costs of the data team required to implement the requirements. It must be noted that without a deep dive into the infrastructure and data requirements, these are indicative and could end up being higher.

Ongoing costs are likely to be substantial since L&Q may be required to obtain FRA, Asbestos and Major Works information from superior landlords, managing agents and management companies, and will also need in some cases to ensure officers are tasked with maintaining contact and aggregated information in a form which is consumable by these reports.

Question 35 – Do you agree that 12 months is an acceptable transition period for landlords to prepare for the new demand form and annual report arrangements to commence? [No]

If no, what should be an appropriate period and why?

We do not agree that 12 months is a sufficient transition period. Significant changes may be required to IT systems to support the new arrangements, and based on our current assessment, we estimate that a 24-month timeline would be more realistic to implement the necessary automation.

For organisations like ours that are undergoing a wider Transformation programme, a longer lead-in time is particularly important. We would prefer to avoid making short-term changes to our current property and service charge systems that may soon be replaced or reconfigured, especially for the sake of a few months' compliance.

Question 36 – Do you agree with the proposed structure and content of the future demand notice in **Annex C**? [Yes]

If no, what changes do you consider are needed and why?

Yes, but it states estimated costs whereas s20B (2) (as amended) states it is cost incurred. However, s20B (5) then also refers to estimated costs. We were hoping that it would be clearer, but it simply uses the current wording of S21B (2). It's not clear if this is directly linked to the old 18-month rule and how it will interact with it. We would ask the Government to make language in these notices consistent.

The indication is that this will be served not only where the 18-month rule may apply, but also when there is a new set of works proposed. This could be very confusing, especially if served at a similar time to when the Section 20 consultation process is running. Strictly, the use of the old 18-month rule should be limited, as accounts now need to be served within 6 months of the end of the account year. The current use of S20B (2) is mainly when accounts are audited late.

Question 37 – Do you agree with the proposed grounds for extending the estimated demand date? [No]

If no, under what other reasons should landlords be able to change the demand date?

No. Other grounds might be due to:

- system issues such as (Clarion experienced following an IT cyber-attack),
- uncertainty over the eligibility of charging costs e.g. electricity metering,
- ongoing disputes on certain service delivery issues.

If there is a date to be included by which a demand is 'expected', we agree that there must be provision for extensions. At the least, this prevents the 'stopping of the clock' that currently occurs. In the instance of an extension due to delay of the auditor, when no estimated date is provided, an extension would especially need to be provided.

We would also like to ask Government to clarify if there would there be the option of more than one extension.

Question 38 – Should we legislate so that costs should not be recovered if the time limit has lapsed on the initial future demand form or capped if the estimate on the initial form has been exceeded? [Yes]

If no, please explain why and what limitations you would consider acceptable?

Landlords could put in a very long demand date, which to some extent defeats the time limit. It might be more reasonable to set a maximum time limit (for example of 3 years).

Presumably the landlord could simply continue to extend. In this case, we would like Government to clarify if this can this be only extended once and if the time allowed can be restricted.

Question 39 – Do you agree with the proposed list of information that leaseholders can request from their landlords in **Table 1**? [No]

If no, what changes do you think are needed?

- It may not be appropriate for leaseholders to access tender documents under Section 20, as these often contain commercially sensitive information. Leaseholders already have access to certain details through the existing Section 20 consultation process.
- We would like Government to clarify how much detail we hold on to around the building's construction (such as type of construction). We assume that would be covered in an FRA -EW / PAS 9980 assessment.
- Information on proximity to large bodies of water and flood risk was likely considered during the initial scheme development. However, we may not have up-to-date data available now, and this is typically treated as an insurable risk.
- We think it would be onerous to provide contracts (for supplies and services), including details such as overall costs and additional costs (e.g. call out rates). However, it would be fine to provide a managing agent contract.
- We would like clarification on what "A summary may be appropriate where there are GDPR concerns" would cover, and what the value of having "Buildings insurance claims history" would be. If the property is being sold, then this may form part of the solicitor's enquiries.
- The s20 would provide details of proposed expenditure so providing a budget for major works may be unnecessary.
- We would like the Government to clarify if details of expenditure from reserve funds should be part of the reconciliation demand.
- We would like the Government to clarify why a copy of previous year's annual report and a copy of previous years' service charge demands is necessary, and for how many years are they proposing.

This requirement is highly burdensome and demands a significantly greater level of detail than is currently necessary. Some of the requested information may be commercially sensitive or could raise complex issues. In the case of global contracts, it may also include data related to other schemes, which adds further complications.

Question 40 – Do you agree with the proposal to give leaseholders the right to request to retrieve documents relating to matters for up to six years? [No]

If no, please explain why.

We believe 6 years is too long. If several different leaseholders requested documents over several different schemes, this proposal would be difficult to deliver in practice (especially considering the volume of information they can request). Also, we would like the Government to consider the access to information issues relating to mergers and stock transfers that have been previously mentioned. The policy is currently one year; thus, we would like to emphasise that making the policy

six years is a large jump and would likely have implications on the amount of information that is requested.

We would like the Government to clarify if requests for S21 summary of costs (as amended) will go back 6 years, and if so, if it will need to be in the same format (which required a detailed breakdown of invoices etc.).

If the six-year period is counted back from the date of the request, it could fall in the middle of a budget year, meaning the relevant information may not be available. However, if the six years are counted from the end of the last accounting period, that may effectively extend the limitation period referenced in the consultation (Limitation Act 1980).

Question 41 – Please comment or suggest any changes to the proposals to the enhanced rights to request information.

The proposed changes place a significantly increased burden on landlords, both in terms of time and resources.

Question 42 – Do agree that 28 calendar days is a reasonable timeframe for a landlord to provide requested information to a leaseholder (in Table 1)? [No]

Please provide reasons for your answer.

Currently, it is one month or six months from the end of the accounting period. The policy would require us to have the accounts for the previous year, and this can take up to 6 months. Thus, 28 days does not seem feasible as information required for the last of the accounting years in question would not be available. As a reference, L&Q had 482 s22 requests last year for the 2023/24 accounts.

Question 43 – Do you agree with the circumstances under which the overall 28 day time period should be extended, and the proposal to allow an additional 7 extra calendar days? [No]

Please provide reasons for your answer.

As stated in Q42, the extension of 7 days is simply not sufficient.

Question 44 – Do you agree that the Receiving Party should respond to the landlord's request within 15 days? [Yes/No]

No, we feel this is unfeasible and we would need longer to respond for the same reasons stated in Q42. Also, it cannot be part of the same timescale and the 15 days would have to be additional.

Question 45 – Do you agree that leaseholders should have a maximum of three months after making a request to inspect documents in person? [Yes]

Please provide reasons for your answer and any changes you consider necessary.

The proposed timeframes place tight obligations on landlords, while leaseholders are given extended periods to submit requests—despite those requests typically being more straightforward to process. As we usually issue documents electronically via SharePoint, there's no need for leaseholders to visit an office. We believe two months would be sufficient.

Question 46 – Do you agree with the proposed exemptions to the duty to provide requested information? [Yes]

If not, what exemptions, if any, do you think should be provided and why?

In regard to vexatious requests, we would like requests to be limited to one request per year. Leaseholders will request all of the information rather than one or two items. If a few requests are received it could be a significant administration task to comply. This is also currently applying to fixed service charges for tenants, and as previously noted, some information is not relevant to them.

Question 47 – Do you agree that social housing tenants of Private Registered Providers and Registered Social Landlords should receive an annual report and right to access specific information? [Yes/No]

Please explain your answer.

We think they should get some elements of the annual report but not all. Some elements of the information mentioned in table 1 are not applicable to social housing tenants. Information on building and site management is relevant, but information on financial management is less so. This could cause a substantial burden on Private Registered Providers (PRPs) such as L&Q, where we have 46,477 fixed service charge payers. In so far as we must provide all social rented tenants an annual report, this must be kept to a level that is feasible for us and only provides them with relevant information.

Question 48 – Would you suggest any modifications to our proposed format of the annual report and information that may be requested? [Yes]

If no, please give your specific reasons.

Yes, as per Q47. It needs to be significantly reduced for social rented properties as this could have huge implications on RPs and the rented sector.

Question 49 – What would be the additional cost to Private Registered Providers and Registered Social Landlords of obtaining and supplying this information to social housing tenants?

Please provide a breakdown of both initial costs and long term sustained additional costs.

In a mixed tenure block, there would be additional cost due to printing and postage. However, in a social housing block there would be considerable additional resource required depending on the level of information that needs to be given. Some RPs may have limited leasehold stock but large numbers of rented stock in which they include a service charge. To serve a prescribed form for the demand, an annual report, and to have to provide information on request would take up significant resource and the cost could be significant which would be chargeable to residents. It is therefore envisaged that any ongoing costs associated with these requirements would be approximately 5 times greater for L&Q if incurred on all buildings housing social tenants.

Question 50 – Do you think that 12 months is an acceptable transition period for Private Registered Providers and Registered Social Landlords to adjust their systems and train their staff to the new arrangements? [No]

If no, what should be an appropriate period and why?

Please refer our response to Q35 regarding the transition of systems.

Question 51 – Do you agree with the proposed structure and contents of the administration charge schedule as set out at Annex D? [No]

If no, what changes do you think are needed?

We would like there to be a clearer fixed/variable service charge distinction. The reference to charges fixed by legislation appears to relate to LAFRA, but this should be explicitly confirmed. The reference to third-party costs (e.g., solicitors or surveyors) acknowledges that these are estimates; however, some figures will still need to be included. We assume this would be based on fixed fees agreed in advance to enable accurate reporting.

Question 52 – Do agree that landlords should make the administration charge schedule available on request (see Table 1), in addition to as part of the annual report? [Yes]

Yes. If it is to be included in the annual report, sent when updated, and then on request, this could be significant in terms of administration. We would say the first two should be made available on

request, with an option that the updated version be available on the website (as this would eliminate the need to send on request).

Question 53 – Are there any other situations when landlords should be able or required to provide the administration charge schedule to leaseholders? [Free text] Provide details.

Please see Q52.

Question 54 – Do you think that managing agents and landlords should also have to declare conflicts of interests with the insurance broker and insurer? [Yes]

Please explain your answer.

We believe that managing agents and landlords should have to declare conflicts of interest with the insurance broker and insurer where there are commission sharing agreements or claims rebate clauses etc. In our view, these should be completely transparent where they are linked to the premiums payable by leaseholders.

Question 55 – Are there any other conflicts in the chain of organising, managing and providing insurance that should be declared to a leaseholder? Provide details.

So far as L&Q are concerned given our own insurance arrangements and knowledge of the sector, we do not believe that there are.

Question 56 – Do you think that the FCA definition of a conflict of interest covers conflicts that are relevant to leaseholders? No

If no, how should conflict of interest be defined? Are there existing definitions of conflict of interest in other industries or countries that could be followed?.

We do not necessarily think that the FCA definition of a conflict of interest covers conflicts that are relevant to leaseholders. We believe that most leaseholders are likely to want to know about the type of conflicts set out in Q54 above. We do not believe that there is a need to reinvent the wheel by redefining what a conflict of interest is, but ensuring full transparency as touched on in Q54 is key.

Question 57 – If the information required under FCA rules, additional details about conflicts of interest and making a claim were sent to all leaseholders, would this be the right amount of information? [Yes, this is right amount of information/not enough information/too much information]

If you answered yes, give reasons.

If you answered not enough information, please give reasons. What additional information should be provided about building insurance?

If you answered too much information, please give reasons. What information should not be required to be shared with leaseholders?

We fully support the transparency agenda and recognise the need to strike a careful balance between providing sufficient information and avoiding excess. On reflection, we believe the current approach leans towards over-disclosure. Specifically, in relation to Annex E, we recommend removing the 'shopping around information'. This aspect is already addressed through Section 20 consultation, and under qualifying long-term agreements, landlords are not expected to seek alternative providers annually. Additionally, annual 'shopping around' under portfolio insurance contracts, common among landlords, is unlikely to yield best value. Therefore, we believe this section should be omitted from the template.

Question 58 – Do you think there should be any circumstances where the duty to provide information on insurance should not apply? [No]

If yes, please give detail on when you think the duty should not apply, for example a specific type of landlord or type of insurance.

We agree that there should be no exemptions for landlords to comply with the duty to provide insurance information.

Question 59 – Should landlords be required to provide information in a set template? [Yes] Please explain your answer.

We broadly agree with the proposal for a prescribed template. Much of the information will be market standard and we agree with the points already made about consistency for leaseholders and providing clear evidence of compliance.

Question 60 – What is your opinion of the proposed template provided at **Annex E**? Provide details.

We agree with the proposed template in principle but would urge MHCLG to ensure that there is complete alignment with the FCA prescribed disclosure. Whilst not necessarily the case for L&Q, the majority of landlords will be dependent upon their insurer or broker to provide this information. If the landlord disclosure goes further than what the FCA have currently prescribed then this will clearly be problematic from a practical point of view and otherwise, given that insurance is regulated activity, we do not believe that it is sensible to add what would essentially be unregulated elements to the disclosures.

Question 61 – Should landlords be able to provide leaseholders with insurance information only by email? [No]

If the landlord can send insurance information only by email and does so, what safeguards, if any, should be put in place to make sure the leaseholder received it?

The landlord should be able to choose how to provide leaseholders with insurance information, if legislation allows. In the case that landlords can only send insurance information by email, the leaseholder must supply a valid and up-to-date email address. This is similar to the current expectation for leaseholders to provide a correspondence address, especially when sub-letting. Ultimately, the responsibility should lie with the leaseholder to ensure their contact details are accurate and current.

Email delivery, like postal delivery, does not guarantee receipt. However, safeguards such as requesting read or delivery receipts could help confirm that the information was received.

Question 62 – Do you think 30 days is enough time to give landlords to provide building insurance information to leaseholders? [No]

If no, please give a reason and whether you think landlords should have more or less time to provide the specified information once the insurance comes into effect.

We do not believe that 30 days is anywhere near enough time for landlords to provide the proposed information to leaseholders at the point of inception of the insurance cover. Insurers currently have 30 days themselves (under FCA rules) in which to provide policy documentation to the landlord. Time therefore needs to be allowed for the key policy information to be communicated to leaseholders, so we would propose 60 days overall. We agree with the 30-day timeframe where this relates to new leaseholders purchasing the property, provided this fall outside of the initial inception/renewal of the insurance cover period.

Question 63 – Do you think there are any circumstances where this time period should be extended? [Yes]

If yes, give reasons and when you think the time period should be extended.

Whether there are circumstances where this time period should be extended depends on if there is a superior landlord and them being the Receiving Party. For further detail on this, please also see Q44. It is also important to note that certain holiday periods will reduce the practicality of being able to provide the information (i.e. some PRPs close over part of the Christmas period).

Question 64 – Should landlords be required to request information from a third person in a certain way? [Yes] If yes, please give reasons why.

The wording of questions 64-66 and the covering paragraph (121) suggest that this is mainly about information from insurance brokers, insurers or managing agents. This being so, we echo the previous point about aligning insurance disclosure requirements with the FCA rules. We believe that FCA rules are being applied inconsistently at present across the social housing insurance market (and likely elsewhere). We believe that by aligning disclosure requirements, insurance brokers, insurers, managing agents and landlords would be forced to work together to ensure compliance. This would surely achieve the best outcome for leaseholders.

Question 65 – Should there be any circumstances where a person is exempt from the duty to provide information to the landlord? [No]

If yes, please give detail of the circumstances when you think the duty should not apply, for example a request for a certain of type of information or a category of third party that should be exempt.

Please see Q64.

Question 66 – Should there be a set time period within which a request for information from a landlord to a third party be made? [Yes]

If yes, what should that time period be?

Please see Q64.

Question 67 – [If you are a landlord or managing agent] What do you think transitioning to these new arrangements would cost your organisation? Provide details.

Transitioning to these new arrangements would cost our organisation time and resource. For detail on the cost to adjust systems to collect and provide the information proposed in the demand forms or annual report and thereafter please see Q34.

Question 68 – [If you are a landlord or managing agent] How much would it cost you to obtain the required information that you do not currently have? Provide details.

We pretty much already have all of the required information. The only caveat is the need to mop up outstanding information from third party landlords where they insure buildings that we only have a leasehold interest in. The cost implications here are negligible.

Question 69 – Do you think that 3 months is the right amount of time to allow landlords and managing agents to adjust their systems and train their staff to carry out the new arrangements? No

If not, what would be the right amount of time and why?

We believe that the proposed 3 months transition time is completely unrealistic given the wider implications of this consultation. Considering possible changes to established systems and processes, we would propose a 12-month transition period.

Question 70 – [Do you agree that accounts must include the following minimum information:

a. a balance sheet for the service charge fund which sets out the assets and liabilities of the block
b. an income and expenditure account and explanatory notes
c. sinking fund or reserve funds statements (where applicable)
d. a statement of service charge collection deficits

[No]

If no, what should be different, why and in what circumstances (please be specific)?

No. PRPs would not be able to provide a balance sheet or a statement of service charge collection deficits per scheme/block. PRPs do not provide balance sheets for individual blocks as we are the freeholder of the schemes and there is no requirement for this. It is only for accounts relating to private blocks that balance sheets are sometimes prepared.

We would like clarification from the Government as to why a S20B statement is included and how reference to S20B ties in with the “future demand notice” as we assume the accounts would be accompanied by a demand for deficit.

Question 71 – Do you agree that, where there are multiple service schedules, a balance sheet should be provided with each schedule? [Yes/No]

Please explain your answer.

As mentioned in Q70, PRPs should be exempt.

Question 72 – Do you agree that ISRS4400 should be the default reporting standard for assuring service charge accounts? [Yes]

Yes, assuming we agree that all service charge accounts need to be certified independently. ISRS 4400 is specifically about Engagements to Perform Agreed Upon Procedures regarding Financial Information. The UK follows FRS 102 which is designed to apply to the general-purpose financial statements and financial reporting of entities, including those that are not constituted as companies and those that are not profit-oriented. These standards are international and standard (non-specific to service charges where a knowledge of the legislation is needed). We would also like to ask the Government for clarification on whether Tech 3/11 should still be followed to good practice.

Question 73 – Are there any other reporting standards, such as ISRE 2400, that should be followed?

Please be specific, including what any threshold for use should be.

ISRE 2400 is an international standard on Review Engagements rather than a reporting standard such as FRS 102. There are also International Standards on Auditing guidelines for engagements and quality assurance. This should not be required for PRPs who are already heavily regulated. As mentioned in Q72, Tech 3/11 should be followed, although it seems that the accounts mock-up has been based on the Tech 3/11 guidance.

Question 74 – Do you agree with the format of the statement of declaration (at Annex G)? [Yes/No]

Yes. However, we would like clarification on whether this be in addition to the statement recommended by Tech 3/11.

Question 75 – Do you agree with the proposals to expend the number of qualified people who can prepare the written report? [Yes]

Explain your answer.

Yes, but still concerned of the additional costs where we don't currently certify and the capacity in the industry to do so. We would like the Government to clarify if this means that an internal accountant can prepare/certify, so long as they are members of the associated bodies that are referred to. Otherwise, we may not have sufficient accountants to undertake the work after the legislation comes into force.

There are various CCAB accredited qualifications including CIPFA and expanding the pool of eligible accountants/practitioners provide choice and value for money (VFM) for leaseholders. Accountants without a practicing certificate could also be included as they are professionals.

Question 76 – What financial information do local authorities, Private Registered Providers and Registered Social Landlords provide to their leaseholders? [Please highlight all that are relevant]

Balance Sheet
Income and Expenditure report
Sinking/reserve fund statement
Other

If other, please specify.

Question 77 – What procedures are in place within local authorities, Private Registered Providers and Registered Social Landlords to ensure that any accounts or financial statements are accurately reported and who signs off any information?

Provide details.

This will no doubt vary considerably across the sector. However, at L&Q, our accounts and financial statements are signed off by the Head of Service Charges. As financial information for schemes flows through our dedicated service charge module and accounts systems and is reviewed via managements accounts, the accuracy of overall service charges is high. As a result, scheme/property accounts should also be accurate.

Question 78 – Do you think that local authority and Private Registered Provider landlords, and Registered Social Landlords, should be exempt from the provisions to prepare written statements of account for each block and signed off by a suitably qualified accountant? [Yes]

If yes, what provisions should apply to local authority, private Registered Provider landlords and Registered Social Landlords? Please be specific.

Yes, we should only be required to comply with our lease obligations. Potentially residents/leaseholders should be able to choose if they require audited statements as there is a financial cost to producing these. For variable service charge payers, we effectively produce in

house accounts that compare actuals and budgets/estimates and there is a corresponding financial adjustment.

Question 79 – Are there any other landlords or specific scenarios where you think exemptions or modifications are needed? [Yes]

If yes, provide details.

Potentially yes, where the level of service charges is below a certain amount there could be an exemption as the cost/benefits may not stack up.

Question 80 – Do you already provide your leaseholders with service charge accounts? [Yes]

Yes, but not in the proposed format.

Question 81 – What are the differences between these new proposals and the information you currently provide to leaseholders? Provide details.

We don't always show line by line difference between Actual & Budget. This varies from association to association as we have seen this format before.

Question 82 – How long does it take you to prepare accounts now? How long would it take you to prepare accounts if you had to implement the proposals? Provide details.

We usually prepare all of our accounts by 30th September each year. If we must have them all certified, the process would be longer and may then mean a Future Demand Notice would need to be issued. Under the new legislation our understanding is that there is a 6-month deadline from the end of the accounting year to provide the accounts to the leaseholders. So, although if it goes over this time, there is presumably the future demand notice to secure the position regarding recovery of a deficit. Thus, there would still be penalties that could be imposed via the FTT. Also, the auditor would have to give a date for the auditing to be done as an expected date of demand is required for the future demand notice (for deficits).

Question 83 – How much does it cost you to prepare a set of accounts on average? Please give specific examples and a range if possible.

This is hard to quantify. We prepare service charge statements for 34,000 variable service charge payers. As highlighted in Q13 we have a large internal team for service charge administration

totalling 36 staff. Due to increasing demands being placed on this team we are expanding this team by an additional 10 staff in 2025/26. This equates to £2.2m in staff costs.

A very crude calculation based upon costs and total units having a service charge would suggest it around £13.75 per variable service charge payer, which equates to £508k in total.

Question 84 – What additional costs or savings would you face if you had to implement the proposals? Please include where these costs or savings would occur, e.g. number of people to prepare; new people to verify.

We would think that the new proposals will increase the cost for most PRPs (and therefore potentially the leaseholders). Please see answer to Q83 regarding the additional staffing costs.

There would be no cost savings, and if external accountants were required the costs would increase substantially.

Question 85 – Would you adjust your systems, or would any adjustments be outsourced (for example to an IT software provider)? Provide details.

We would adjust our systems. These be a mix of internal and external adjustments as we use different systems in different parts of the business due to historical merger activity.

Question 86 – How much would it cost to adjust systems to collect and provide the information? Please provide details, including the costs of an outsourced provider if relevant.

Additional costing breakdowns may need to be recorded in L&Q's financial management systems to provide sufficient granularity to break down the costs according to the new schedule. Please see question 34 for further costing details.

While some chargeable work may be needed directly from our Finance and Accounting software provider, it is not feasible to estimate this cost without a more detailed specification of the output required.

There would be set-up and ongoing costs for our internal Finance teams to update and maintain our chart of accounts breakdowns to support the granularity required by the new reports.

Question 87 – Do you agree that 12 months is enough time to allow landlords and managing agents to adjust their systems and train their staff to the new arrangements? [No]

If no, what should be enough time and why?

No, bearing in mind the changes that may be required to IT systems. Note above we would estimate an approximate 24-month timeline to implement the changes needed to automate the production.

Question 88 – Would set up costs be reduced if we provided a longer transition period? [No]

And if yes, by how much?

Probably not, as we would still need the same resourcing. We would prefer to split the costs over a longer period and believe this would lead to reduced costs. However, we are unable to quantify the costs reduced currently.

Question 89 – Should there be an exemption to the requirement for landlords to apply to the court or tribunal in order to recover their litigation costs as an administration charge where a landlord has issued a debt claim in the civil court (e.g. for the debt of an unpaid service charge) where the leaseholder has admitted to the claim or not defended the claim? [Yes]

If no, explain your answer.

Are there any further considerations or unintended consequences to this proposed exemption?

Yes, in the circumstances stipulated.

Question 90 – We would welcome further evidence on the proportion of cases to recover a debt brought by the landlord which are undefended or admitted to by the leaseholder.

So far, eight claims have been submitted to the County Court which were “undefended”. The cost of the claim is on the left on the below table– the total Judgement obtained (arrears + claim fee) amount is on the right. Four of these have been paid in full, including costs.

So far, we have only had one that has/is going through the full trial/defence process by way of escalating to the First Tier Tribunal – this is not on the list as no Judgement has been made.

Of the below, all were obtained by default due to no response and we registered Judgement for seven of them. The one for £9813.44 paid within 30 days of the Judgement being issued and as such was not registered as a CCJ.

£ 857.48	£ 18,007.16
£ 896.96	£ 18,836.23
£ 505.06	£ 1,959.12
£ 1,055.55	£ 22,166.59
£ 859.05	£ 18,040.05
£ 455.00	£ 9,813.44

£	1,037.60	£ 21,789.66
£	801.69	£ 16,835.41

The cost that is recovered by default in the event of undefended claims is only the claim fee – there are no other litigation fees being recovered at this stage. The only further costs, as far as we understand to date, would be where claims are defended and the matter goes through the Court/FTT process where applicable.

It is worth noting the cases above were expected to be undefended due to payment history and poor engagement levels, in most cases, so it is not the best snapshot to understand 'proportion' or volume and impact to leaseholders of the recovery of costs but is the best information I have to share about this.

Question 91 – We would also welcome evidence from leaseholders about whether they have ever had to pay a landlord's litigation costs as part of a debt claim, and if so, how much were those costs (£)?

N/A

Question 92 – Are there any other cases where you think there needs to be an exemption to the landlord requirement to apply in order to recover their litigation costs as an administration charge?

We think there should be an exemption in the following cases:

- Vexatious cases
- Where the debt is very small as we have had claims brought where items of expenditure are as small as 1p. This may increase if tenants on fixed tenancies can challenge in a FTT.
- Where mediation is refused unreasonably by the leaseholder.

We would like the Government to clarify how these new rules (particular the tenants right to claim costs) works with Rule 13 costs, where the behaviour must be unreasonable (bar high according to case law), whereas the leaseholder's application is only that an award is just and reasonable. We would like guidance on if the leaseholder can also make the claim under the new S20C provisions.

Question 93 – We are aware that some landlords may not be able to recover their litigation costs from an individual leaseholder as an administration charge due to the terms of the lease. Are there instances that such an exemption should be made to allow a landlord to recover their litigation costs through the service charge without an application to the court or tribunal?

No, we should have to apply to the Court. It's difficult to see why leaseholders should have to pay for one leaseholder's debt without the application where it is needed in other circumstances. It would be detrimental to other leaseholders simply because the defaulting leaseholder's lease does not allow admin charges. In any event most leases do allow for an admin charge particularly in modern leases.

Question 94 – These measures will apply to social landlords who are seeking to pass their litigation costs onto leaseholders. We would welcome views from social landlords and their leaseholders on any further considerations in relation to the power to exempt certain situations from the landlord application requirement.

No exemptions currently, although would this change if tenants who have fixed service charges are able to apply. However, this question refers specifically to leaseholders.

Question 95 – Where the leaseholder has partially admitted a debt (and so has defended another part of the debt) and therefore the claim will go before a judge who can then assess a landlord's application for litigation costs, do you think the exemption to the landlord application requirement should not apply? [No]

If no, please explain your answer.

Are there any further considerations or unintended consequences to this approach?

It's a difficult one as if the exemption applied in this situation, it could deter a leaseholder from agreeing/conceding anything. The leaseholder may think it's worth arguing a case as they will get a costs award due to the partial admission. This is not conducive to narrowing the number of claims made and may lead to larger cases. Under the assumption this applies as a general principle for the costs exemption this may force more people to defend or push the case forward.

Question 96 – We would welcome any further evidence of the proportion of cases to recover a debt brought by the landlord which are partially admitted to by the leaseholder.

We would think partial admissions are low. Our experience and that of our solicitors is that a case expands as it progresses in the FTT rather than the leaseholder's issues narrowing.

Question 97 – Do you think that the proposed exemption to the landlord application requirement should not apply where the leaseholder has successfully applied to set aside a default judgment? [Yes/No]

Are there any further considerations or unintended consequences to this approach?

This depends. If they have had to apply to set aside because they simply failed to respond initially then the exemption should apply. However, if they have not received/been served with the

document, so the application to set aside is as a result of something outside the leaseholder's control, then the exemption should not apply.

Question 98 – Should the proposed exemption extend to cases where the leaseholder has unsuccessfully applied to set aside a default judgment? [Yes]

Are there any further considerations or unintended consequences to this approach?

Not that we are aware of.

Question 99 – Should there be an exemption to the landlord application requirement to recover their costs as an administration charge where the civil court has automatically struck out a leaseholder's case because of something the leaseholder has done or failed to do? [Yes]

Are there any further considerations or unintended consequences to this approach?

Not that we are aware of.

Question 100 – We would welcome any further evidence of the proportion of cases where a landlord and a leaseholder is involved which are struck out "automatically", without a formal reviewing of a case.

We have no experience of this scenario.

Question 101 – We would welcome further evidence about how resident-led buildings (e.g. those with Resident Management Companies in place or buildings with the Right to Manage) fund litigation when they bring a claim against a leaseholder.

This is a real problem area. There are no funds available to pay for litigation and so if recovery of costs is not possible this is problematic and will frustrate many RTM claims/RTM companies defending legitimate actions. It's also important to consider not just how the costs are claimed but also how they are funded in the meantime, as cases can take months in the FTT/Court.

Question 102 – Should the requirement for landlords to apply to the court/tribunal to recover their litigation costs from leaseholders be "suspended" until a later time for resident-led buildings (enabling them to recover litigation costs from the service charge prior to proceedings)? [Yes]

If no, please explain your answer.

Yes – however, simply adding litigation costs to the rent or service charge statement under the lease doesn't guarantee recovery. If a leaseholder is already behind on service charge payments,

this approach could worsen cash flow issues, as both the outstanding charges and the litigation costs would still need to be actively pursued.

Question 103 – Should the proposed use of the suspension power apply to resident-led buildings only? [Yes]

If no, please explain your answer.

Question 104 – Should the definition of "resident-led buildings" (e.g. those who will have the application requirement suspended) be those where a recognised Right to Manage Company or Resident Management Company have been established, or where a manager has been appointed under Section 24 of the Landlord and Tenant Act 1987? [Yes]

If no, please explain your answer.

In regard to the appointment of a manager we agree. Without this good managing agents may refuse to be put forward for this role.

Question 105 – Should the "event" which will then require resident-led buildings to apply for their litigation costs be upon the substantive claim or application being decided, or, where relevant, upon the case being withdrawn, struck out or a consent order being made? Resident-led buildings will be able to apply for their costs alongside the initial substantive application so as to simplify processes for resident-led buildings and the courts/tribunals. [Yes]

If no, please explain your answer.

Question 106 – Are there any further considerations or unintended consequences to the proposed approach?

Not that we are aware of.

Question 107 – Do you think that any other organisation or person; or any other situation should have the requirement to apply for litigation costs, either for recovery through the service charge or as an administration charge, suspended until a later date in this way? [No]

If yes, please explain your answer.

Question 108 – We would welcome views from social landlords and their leaseholders on any further considerations in relation to the power to suspend the landlord application requirement until a time or event specified by regulations.

We do not have a view on this.

Question 109 – Should the requirement for resident-led buildings to apply to recover their litigation costs be re-suspended if the court or tribunal agrees for a case to go to appeal and places a "stay" on the determination of an application for costs in a substantive case until the appeal concludes? [Yes]

Are there any further considerations or unintended consequences to the proposed approach?

Reinstating and then re-suspending the requirement at this stage would introduce unnecessary complexity. Assessing costs during an ongoing appeal would be difficult, and suspending the right to recover costs doesn't guarantee payment. It simply shifts the burden to another recovery process, which itself incurs further costs—often unaffordable for resident-led companies unless other leaseholders cover them through the service charge, which undermines the original intent.

Question 110 – Should the leaseholder right to apply to the court or tribunal to claim their litigation costs from their landlord broadly align with the right to litigation costs that landlords have? [Yes]

Are there any further considerations or unintended consequences to this approach?

Yes, however, we would like the Government to consider how this works alongside Rule 13. For example, will new rules replace it so it becomes very similar to a court system, or will Rule 13 continue, in which case it would also need to be clarified when a Rule 13 costs award would be requested.

Question 111 – Do you think the proposed cases (those set out in Table 2 and 3) should be those that relevant proceedings must relate to in order for the leaseholder to have the right to apply to the court or tribunal to claim their litigation costs from their landlord? [Yes]

If no, please explain your answer.

Question 112 – Do you have any views and evidence on whether lease terms allowing for the recovery of litigation costs from leaseholders generally give landlords the right to recover their costs for varying a lease (under Section 35 of the Landlord and Tenant Act 1987)?If no, please explain your answer.

As the leases currently stand most only allow for recovery of admin costs in default situations (i.e. breach of lease/in contemplation of forfeiture). Some service charge costs recovery may extend to management issues but whether this would fall within that could depend on the reason for the Section 35 application. If the lease is badly drafted, it seems unjust that the leaseholders pay the cost – particularly if the changes are also more detrimental to the lease terms (i.e. costs apportionment is to be changed).

Question 113 – Do you think leaseholders should be given the right to apply to the court or tribunal to claim their litigation costs from varying a lease (under Section 35 of the Landlord and Tenant Act 1987) from their landlord – either by bringing a claim or defending a claim?

As above, it depends on the circumstances and reasons for the change. Leaseholders should have the right to bring a claim but in deciding whether this is granted there must be consideration of the reasons for the change requested.

Question 114 – These measures will apply to leaseholders who have social landlords. We would welcome views from social landlords and their leaseholders on any further considerations in relation to the leaseholder right to apply to the court/tribunal to claim their litigation costs from their landlord.

We don't see the difference between a social and private landlord when it is a leaseholder. What needs some consideration if a tenant can bring a claim as sums claimed, as some claims could be extremely low. This issue might also occur once freeholders have the right to challenge estate charges.

Question 115 – What transition period do you envisage being sufficient to provide time for landlords, resident-led buildings and the courts to transition to a new system for litigation costs once the regulations have been made?

Are there any further considerations or unintended consequences to the proposed approach?

We suspect the time the court system (FTT) takes to be able to cope with the additional cases this may generate is more important.

Section 3 - Questions about new additional service change reforms

Question 116 – Do you agree that reserve funds should be mandated for new leases? [Yes]

If no, please explain why?

Yes, the need to front load major costs recovery as restrictions under FCA / CCA mean that many landlords are limited to options for spreading cost for large one-off bills. The Government must allow for up front recovery of these costs. It's important to note this cost seems to be increasing due to inflation rises and contractor costs increasing.

However, we would like the Government to clarify how PRPs would deal with reserve funds in mixed tenure schemes.

Question 117 – Do you agree that UK and Welsh governments should legislate to mandate or encourage creation of reserve funds for existing leases where leaseholders want it? [Yes]

Yes, we agree it is a very problematic area. If reserve funds are made mandatory for future leases, there is a need to align older leases. Certainly, the shared ownership model lease has always had the ability to collect a reserve/sinking fund. There will be a need to consider how to build up the funds which are put in place later under this legislation (i.e. for existing leases where historically no sinking funds).

Question 118 – Do you have any other comments or observations on how reserve funds should work in practice that need to be taken into account when preparing legislation? Provide details.

They need to be realistic and in line with any PPM / CAPEX / AMP assumptions. The review of the stock condition should happen every few years (5 normally) to assess the condition of the building.

Question 119 – Do you think that AMPs should be mandated for new leases? [Yes]

Yes, we agree. However, there needs to be consideration of the case of RTB leases as these are often pepper-potted on how these funds will then be used and the landlord pays the cost of major works for the tenants and there is no historic sinking fund.

Question 120 – Do you think that AMPs should be mandated for existing leases? [Yes]

As above there needs to be consideration of the position with RTB leases and these being pepper potted.

Question 121 – Do you have any comments or observations on how the details of AMPs should be communicated to leaseholders? Provide details.

Implementation of a charge needs to be based on firm data which is what the AMP will provide. As stated, AMPs need to be transparent and clear. They must be regularly reviewed and updated with communication to the leaseholders to that effect.

The Government should also consider who will pay the cost of preparation of the AMPs. We suggest that the Government should also carefully choose when this information would be sent. We are concerned about the volume of information that the leaseholder would receive simultaneously if this were sent at the budget/annual report stage. This may be confusing for the leaseholder and onerous for the landlord.

Question 122 – What should be an appropriate transition period for introducing AMPs? Provide details.

2 years.

Question 123 – If you are a landlord, do you already prepare and provide an AMP to leaseholders? [No]

If so, how long does it take you?

Question 124 – What are the differences between these proposals and the information you currently provide to leaseholders? Provide details.

The proposals would require far more information that we currently provide. We support this for transparency purposes.

Question 125 – What additional costs or savings would you face if you had to implement the proposals? Be as specific as possible, including how long it would take you to prepare an AMP.

The costs of preparing the AMP such as composing reports, surveys, fire assessments, and more could be very expensive and this cost would possibly be passed the leaseholders.

Question 126 – If you are a landlord, would you pass on the costs of preparing AMPs to leaseholders? [Yes]

Yes, we think this would have to be passed on as costs given the number of schemes it will be needed for.

Question 127 – Do you agree with the proposed approach to enforcement of the provision of AMPs? [Yes]

If no, what other way do you suggest?

Yes, but this will further burden the FTT.

Question 128 – Do you agree that the threshold should change to £600 for major works and £300 for QLTAs? [No]

If no, please set out an alternative proposal and explain your reasoning.

We think this is too low and we would suggest least £1,000 for major works as this has not been changed since 2002. We think there possibly should be a cap for larger blocks as they may never get consulted with, with the higher threshold, so potentially using a figure of say £10,000 would require consultation. There could also be an issue where an RMC / RTM company wanted to appoint an MA for longer than one year and the management fee may breach the threshold in later years.

Question 129 – Should energy and other utility contracts, as well as single energy providers, be taken out of the Section 20 consultation process if they meet specific criteria set out in paragraph 234? [Yes]

Yes – this approach seems practical. In many cases, consultation is not feasible due to fluctuating charges, sometimes changing daily, which often leads to the need for a dispensation application. Similarly, when only a single provider is available, landlords have no real choice. Measures should be introduced to avoid these unavoidable dispensation applications, such as recognising situations where landlords have no alternative. This would be in line with previous rulings, such as the exemption for five-year contracts in new schemes with no leaseholders at the time of appointment.

Question 130 – Are there any other activities which should be removed from the Section 20 process? [Yes]

Please explain your answer.

We would like the Government to consider changing the definition of QLTAs from 1 year to 2 years.

Question 131 – Where existing activities are taken out of the Section 20 process – do you consider there should be a mechanism whereby leaseholders are notified of these costs? [Yes]

Yes, it seems sensible to advise them as we still need to be transparent and give them an opportunity to make observations on any proposed works or impact on their service charge.

Question 132 – What are your experiences of QLTAs? Provide details.

As a PRP we use QLTA's extensively for all our planned works (which have a 15-year duration), for all our servicing contracts (which are 3 years with a 2-year extension), and for building insurance and utilities.

Question 133 – What suggestions do you have to improve the consultation arrangements for leaseholders where there is a QLTA in place? Provide details.

The QLTA processes for either Schedules 1 or 2 are trivial for qualifying works, as they don't provide estimated costs for an individual leaseholder. Many issues arise where there are no QLTAs as the contract/ SLA is with an inhouse/related company. However, there is no similar exemption for qualifying works so then there are issues as to which schedule is used for the draw down contract for qualifying woks (schedule 3 only applies to works drawn down from a QLTA, which an internal contract is not). In this case there may need to be nominations allowed under Schedule 4 but the contract with the in-house team is already in place. This is a common issue across the PRP sector.

Question 134 – Should some contracts be subject to market testing on a regular basis – for example, every 5 years? [Yes]

Provide details..

Yes, 5 years seems sensible. Within our major works contracts when works are being proposed, a separate market testing is always carried out to demonstrate VFM.

Question 135 – Which of the following options do you think will speed up the consultation process?[shorter consultation period].

Explain the reasons for your answer

We do not think that a standard form will speed up the process, but certain prescribed requirements for the notice that necessitate certain information might.

A shorter consultation seems sensible and the deadline to start work is more or less in line with case law (which talks about the work being carried out within months rather than years). It may be good to also have a maximum time between the issue of the Notice of Intention and Notice of Proposal as this is not covered by the consultation from what we can see so delays could happen there.

Question 136 – What further changes to the proposed measures, or otherwise, should we make to improve the process? Provide details.

An electronic service would be sensible with option to have a hard copy if it's not possible for the leaseholder to access an electronic version, although how the right to have a hard copy is relayed could effectively defeat the objective.

Question 137 – Do you agree that, where intermediate landlords are in place, both the resident leaseholder and intermediate landlord should be consulted? [Yes]

If no, please explain the reason for your answer.

Yes, as per Foundling Court and O'Donnell Court v London Borough of Camden [2016] UKUT 366 (LC). However, the requirement to tell the superior landlord each time there is a change of ownership may not be possible and it depends on the requirements of the underlease. The Foundling Court case looked at this and the Judge said it should be okay where this information was not available to refer to the tenant/leaseholder on the notices. The Government should clarify if this applies to social housing tenants who pay towards grounds maintenance etc. S20 is not applicable to fixed service charges so would only be for tenants who pay variable service charge.

Question 138 – Do you agree with the plans for reforming the existing dispensation arrangements? [Yes]

Please explain your answer.

Yes, we think the threshold for agreeing to dispense should be slightly lower, and we would suggest 75%. There is no point at having a threshold of 90% as this is only relevant to a small subset of cases. We would like the Government to clarify if there would there be costs consequences where someone is vexatious in opposing where it is sensible and all the other leaseholders are in favour.

Question 139 – What other proposals would you recommend that we take forward to reform the dispensation arrangements? Provide details.

Please refer to Q133 – dispensation, so that a shorter form Schedule 3 could be used in that situation.

Question 140 – Do you have any other comments about the major works process that should be considered? Provide details.

As outlined above.

Question 141 – Leaseholders only: Have you ever had difficulties obtaining proof or ascertaining the amount held in your service charge account? [Yes/No]

N/A

Question 142 – Leaseholders only: Have you ever had monies missing from your service charge account (or reserve fund account if one exists)? [Yes/No]

N/A

Question 143 – When taking over management of a property, whether as residents who have bought the freehold or acquired management, or as a landlord or managing agent, have you ever had difficulties with recovering the monies from the previous party? [No]

PRPs are often involved with stock transfers with other PRPs so generally we do not experience difficulties. However, we are aware that a change of managing agent is often problematic and as well as getting information following an RTM process.

Question 144 – What evidence do you have that the existing arrangements are or are not working effectively? Provide details.

N/A

Question 145 – What extra measures, if any, should we introduce? Explain your reasoning.

We do not necessarily agree that there is no control over how the funds are used, particularly from block to block, as this should be dictated in the lease provision in most cases.

Question 146 – What evidence do you have that those paying fixed service charges are not sufficiently protected? Provide details.

We have roughly 46,000 fixed service charge paying tenants. If they have an issue with their service charge then that is addressed through both enquiries and our formal complaints process. There are benefits to both sides of a fixed service charge regime– for the tenants, they know the charges and are not subject to large demands, for landlords, although they risk not recovering the full cost, they do not have to deal with issues under the 1985 Act (S20 etc). We also have found that Universal Credit/Housing Benefit providers do not like the application of variable service charges, as this may requires an additional change to benefit mid-year.

Question 147 – Should tenants and leaseholders be able to challenge the reasonableness of fixed service charges at the appropriate tribunal (or some other body)? [No]

We do not think it practical for fixed service charge paying tenants to have the right to challenge the reasonableness of their service charge through an FTT. As you have stated "this is likely to present practical and operational difficulties if the landlord overcharges for one year but undercharges the next". Having dealt with some FTTs for tenants paying variable service charges, these tend to be relatively low and as previously mentioned we have seen challenges to charges as low as 1p per month. This is disproportionate given the potential impact on the social housing sector and could lead to a shift to variable charges so that PRPs can guarantee recovery (if faced with these challenges anyway).

Question 148 – What measures can or should be put in place to better protect leaseholders and tenants who pay fixed service charges? Provide details.

We believe that tenants can sufficiently raise issues regarding their fixed service charges. Leaseholders with fixed service charges are rare. (Social rented) tenants with fixed service charge are more common, but the amount of costs recoverable is limited by S11 so those charged are not as extensive compared to leaseholders. A lot of subsidies for tenants with fixed service charges due to S11 and other matters that PRPs feel come within their regulatory remit rather than being included as a recoverable service charge item.

Question 149 – If you have tried to use the Section 24 process in the past, please describe your experiences with the existing process? Provide details.

We have no experience of S24. We understand that this can be a long and difficult process as there is a requirement for a pre-application notice (S22) which in most cases by this point cannot be remedied – then Section 24 application which requires a new manager to be proposed and a large amount of default on the part of the current management function.

Question 150 – How could the existing process for appointing a manager under Sections 21 to 24 of the Landlord and Tenant Act 1987 be improved? Provide details.

As above no experience of this.

Question 151 – Do you think that leaseholders should have rights to veto or force a change in managing agent, without the party responsible losing full control? [Yes/No]

Yes, and a threshold should be agreed upon for this. This may then avoid the need for a S24 application.

Question 152 – What are your thoughts about the proposed process and challenges in developing these measures? Provide details.

There is a danger that leaseholders continually veto the landlord's choices, and they are not responsible for the continued cost of this under the proposals. There could also be delays in appointment. The same applies when switching agents and this could continually frustrate each person involved and could be costly and time consuming for the landlord.

Question 153 – Who is best placed to enforce the measures and resolve any disagreement between landlords and leaseholders? Provide details.

FTT is best placed to enforce the measures.

Question 154 – Are there any unintended consequences that the UK and Welsh governments should be aware of in considering these measures? Provide details.

Resourcing challenges at FTT could be an unintended consequence.

Question 155 – Do you think that more documents or exchange of correspondence between landlords and leaseholders should be done via electronic means? [Yes]

However, it's important to note that lease obligations typically still require service by post, even if leaseholders have the option to receive communications by email. This could lead to confusion around what constitutes valid agreement to electronic service. For example, a leaseholder may prefer to receive routine updates by email but may not have formally agreed to receive official notices electronically. This creates challenges for PRPs and landlords, especially those managing large housing portfolios, in tracking and managing consent. Clear guidance would be needed on how specific and formal such agreements must be.

Question 156 – What steps can the UK and Welsh governments take to encourage greater digitalisation of service? Provide details.

Standardised agreement forms to make it clear when agreement is given. This is to avoid case law on what is required to constitute consent.

Question 157 – What safeguards should be in place to protect leaseholders? Provide details.

Leaseholders need to provide consent for electronic service of information/notices and Landlords will be obliged to still issue paper copies where requested. Clarification on the consent is as above. It how to ensure service should be considered, for example getting confirmation that they've received and read this information. There also could be an issue of items going to spam. These issues are especially important given the volume of information now to be sent.

Question 158 – Do you agree that individual managing agents should be accountable for gaining qualifications? [Yes].

Yes, PRPs and managing agents should be qualified.

Question 159 – Do you think that managing agent firms should be responsible for ensuring their employees hold the required qualifications? [Yes].

Yes, and so should PRPs, as above.

Question 160 – Do you think that the requirements in this consultation should apply to estate managers of freehold estates in the same way as managing agents of leasehold properties? [Yes]

If no, provide further information.

Yes, we agree that the same qualifications should apply.

Question 161 – Do you agree that level 4 should be the proposed minimum level of qualifications for managing agents in most cases? [Yeso]

Yes, and so should PRPs as well

Question 162 – Do you agree that where agents only undertake more basic functions, a lower level of qualification could be required? [Yes/No]

The Government should clarify how this could be monitored. Although often the same knowledge is required for managing estates as there is for managing whole schemes with blocks of flats, it depends on the scheme/estate.

Question 163 – Do you agree that there are some areas where agents could require a higher level of qualification than Level 4, e.g. a Company Director, or a Managing Agent with significant building safety responsibilities? [Yes]

Yes, and so should PRPs as well.

Question 164 – What types of role and functions performed do you think require a) a lower or b) higher level of qualification than Level 4? Provide details.

Our suggestion would be that the proposed requirements of the Competence & Conduct Standard for social housing are mirrored here which requires Level 4 for senior managers and Level 5 for senior leaders. The definition of the roles that fall into scope would need to be reviewed to ensure that it is capturing appropriate decision-makers, but it would seem sensible to mirror the approach.

To comply with the Competence & Conduct Standard as currently proposed, PRPs must:

- Have an up-to-date written policy setting out their approach to developing and maintaining the skills, knowledge, experience and behaviours of employees in scope;
- ensure this approach is tailored to different roles, with clear learning and development pathways;
- embed an appropriate code of conduct that's understood and consistently applied across the organisation;
- take responsibility for assessing their workforce regularly, including employees of any contractors providing services on their behalf and addressing any competence gaps.

We believe a similar approach here would be sufficient without requiring additional specified levels of qualifications for more junior members of staff.

Question 165 – Which qualifications already offered by providers provide managing agents with the requisite skills and knowledge to perform effectively? Provide details.

TPI, CIH. Both of these organisations provide training and expertise in the housing field.

Question 166 – Do you agree that qualifications should be Ofqual-regulated or equivalent? [No]

Question 167 – What do you consider to be the best way of ensuring that any syllabus prepared is robust and kept up to date? Provide details.

Apprenticeships should be an acceptable route as well as all Ofqual-regulated qualifications.

Question 168 – Do you think that the UK government should mandate that managing agents must complete CPD? [Yes]

If so, how many hours of CPD should agents be required to complete and over what period?

Yes, 15 hours per annum.

Question 169 – Do you have any other views about requirements for managing agents to undertake CPD? Provide details.

If the approach that is outlined in the answer to Q164 is followed, then it would not be required for the government to mandate CPD but rather put the emphasis on the business to show that there is a robust approach to skills development with clear learning and development pathways.

Question 170 – [Option 1] Do you think that UK government should require that all individual managing agents become members of a designated professional body, and that to do so, agents must achieve a professional qualification? [Yes]

Provide details.

Yes, the TPI accreditation as they are the main professional body for property managers.

Question 171 – [Option 1] Do you think that UK government should require that all managing agent firms become members of a designated professional body, and that those firms must ensure that their members achieve a professional qualification? [Yes/No]

Provide details.

Yes TPI.

Question 172 – [Option 1] What conditions should designated professional bodies have to meet to be appointed to undertake a role in the implementation of mandatory professional qualifications?

Provide details.

N/A

Question 173 – [Option 1] Which existing bodies could perform the role of a designated professional body?

Provide details.

TPI

Question 174 – [Option 1] Do you think that designated professional bodies would need any additional support to fulfil this role? [Yes/No]

Provide details.

Yes, we would think that this would expand their remit significantly.

Question 175 – [Option 1] Do you agree with the proposed role for local authorities to undertake enforcement under this option? [No]

Explain your answer.

No. Due to lack of resources, this is not realistic and it's unlikely that enforcement would happen swiftly.

Question 176 – [Option 1] Do you have any views about the level of cost this approach would create for managing agents?

Provide details.

Although there is a cost to getting the qualification and possibly for becoming a member of a professional body, they are handling large sums of money which belongs to leaseholders and the benefits outweigh the costs.

Question 177 – [Option 2] Do you have any views about asking government-approved redress schemes to take a role in the implementation of the proposals? [Yes/No]

Please explain your answer.

As above in Q176. Also, we would like the Government to clarify if the redress schemes have the required knowledge of the legislation to provide this additional service.

Question 178 – [Option 2] Do you agree with the proposed role for local authority enforcement under this option? [Yes/No]

Please explain your answer.

As above.

Question 179 – [Option 2] Do you have any views about the level of cost this approach would create for managing agents? Provide details.

As above.

Question 180 – [Option 3] Do you think that local authorities should be responsible for enforcement, with no statutory role in implementation for designated professional bodies or redress providers? [Yes/No]

Please provide any further detail for this answer.

No, due to lack of resources. This would be an undue burden on Local Authorities (particularly considering their new enforcement duties under the Renters Rights Bill). Local Authorities do not have the resources or funding to deal with all of these additional enforcement powers.

Question 181 – In your view, should minimum qualifications be required of managing agents and estate managers of freehold estates in Wales, in the same way has been outlined in relation to England? [Yes]

Please explain your response.

Question 182 – Do you have any comments about how proposals would need to be adapted to function appropriately in Wales? Provide details.

N/A

Question 183 – Do you consider that the proposed transition period for qualifications is appropriate? [Yes]

Question 184 – What different transition periods for qualifications, if any, should be put in place? Provide details

None.

Question 185 – Do you consider that, under the preferred option, the transition period for joining a designated professional body is appropriate? [Yes]

Provide details.

Question 186 – Do you agree that where agents have already undertaken relevant qualifications to the required level for their role, that this will count as the required qualification? [Yes]

Yes, so long as that qualification provides an update to consider the changes to legislation (perhaps a shortened 'refresher').

Question 187 – Do you think that agents should be able to top up qualifications? [Yes]

Question 188 – Do you have any other views on grandparenting? Provide details.

No.

Question 189 – Do you have any views on the cost of this intervention? Provide details.

We would think it will not be cheap for managing agent to have their staff qualified. The Government should consider if staff do not pass the qualification, and whether there would there be employment issues.

Question 190 – What proportion of managing agents and estate managers of freehold estates already hold qualifications and to what level (please provide information for the market as a whole or for your managing agent firm, as applicable)? Provide details.

N/A

Question 191 – How would managing agents and estate managers of freehold estates finance their qualifications and to what extent would cost be passed onto leaseholders? Provide details.

This depends on the terms of the lease but it possibly would result in an increase in the management fee.

Question 192 – What other issues relating to qualifications should we be aware of or take into account? Provide details.

N/A

Question 193 – If you are a leaseholder, where is your property? [England / Wales / I own properties in both]

L&Q owns multiple headleases in England only.

Question 194 – If you are a managing agent, landlord, or other interested party, where are the properties that you deal with? [England / Wales / both]

England.

Question 195 – Are you aware of any differences in the operation of service charges or service charge accounts between England and Wales? [No]

If yes, please give details.

Question 196 – Are you aware of any differences in the operation of the transparency of insurance policies between England and Wales? [No]

If yes, please give details.

Question 197 – Are you aware of any differences in the operation of the litigation costs regime between England and Wales? [No]

If yes, please give details.

Question 198 – In your opinion, are there reasons why an alternative approach should be taken in Wales than that for England, in relation to the potential for future reforms explored in the second half of this consultation (the major works regime, other service charge matters and minimum qualifications of property management agents)? [No]

If yes, please give details.

Question 199 – What, in your opinion, would be the likely effects of these proposals on the Welsh language? We are particularly interested in any likely effects on opportunities to use the Welsh language as well as making sure the Welsh language is treated equally to English. Please provide details.

Do you think that there are opportunities to promote any positive effects? Please provide details.

Do you think that there are opportunities to reduce any negative effects? Please provide details.

We do not have a view on this as only operate in England.

Question 200 – In your opinion, could these proposals be formulated or changed so as to have positive effects or more positive effects on using the Welsh language and on not treating the Welsh language less favourably than English? [Yes/No]

If yes, please elaborate.

We do not have a view on this as only operate in England.

Question 201 – In your opinion, could these proposals be formulated or changed so as to mitigate any negative effects on using the Welsh language and on not treating the Welsh language less favourably than English?

If yes, please elaborate.

We do not have a view on this as only operate in England.

Question 202 – Do you believe any of the proposals put forward could negatively or positively impact individuals who have a protected characteristic?

[No] Age
[No] Disability
[No] Sex
[No] Gender Reassignment
[No] Marriage or civil partnership
[No] Pregnancy and maternity
[No] Race (colour, nationality, ethnic or national origins)
[No] Religion or Belief
[No] Sexual orientation

[If you have answered yes to any of the above]
Please explain your rationale and evidence your thinking where possible.

Not that we are aware of.

Question 203 – Do you anticipate any environmental impacts from this policy, either positive or negative? [Yes]

If yes, please elaborate. How could positive impacts be maximised or negative impacts be mitigated or minimised?

Providing large volumes of printed material would have a detrimental impact on the environment.

Question 204 – Do you anticipate that this policy would be likely to impact the judicial system? Examples could be an increase or decrease in applications to court or tribunals, increasing the length or complexity of cases, and new requirements on judicial recruitment or training. [Yes]

If yes, please elaborate.

We consider that this will substantially increase cases being brought to the FTT by leaseholders.

Question 205 – Do you anticipate that this policy would disproportionately impact local authorities? [Yes]

If yes, please elaborate.

See our comment above on enforcement Q175 & 180.