



Leaseholder Charges Review

Resident Scrutiny Group

RSG PROJECT LEAD: ANDREW FROST

SEPTEMBER 2023 - MARCH 2024

Resident Scrutiny Group Review: Leaseholder Charges
September 2023 – March 2024

Introduction

The Abri Resident Scrutiny Group looks into Abri's performance and decision making and comes up with suggestions for how things could be done better.

Everyone involved in the RSG is an Abri resident. They aim to complete several reviews a year and put forward recommendations for Abri to consider and implement.

The theme of this mini review came from discussions held by RSG members themselves. Members of the group were keen to explore the charges applied to Abri leaseholders, how decisions were taken in relation to charges, management versus service costs and how costs were explained and made transparent to leaseholders.

Although this review was never intended to be as comprehensive or far reaching as some of the RSG's other reviews, it contains several recommendations based on the scrutiny work completed.

Approach

Following agreement by the whole group to undertake the mini review, work was taken forward and completed by a small number of RSG members. They considered questions to ask / issues to explore and Abri's response.

Drafts of the review were shared with Abri staff to ensure the contents were accurate.

The review was considered and signed off by the RSG at their meeting on 20th March 2024.

Findings and Recommendations

Leaseholder Background Information

Abri has 1,679 leaseholders and 3,816 shared owners. When combined, leaseholders and shared owners make up roughly 18% of Abri's overall resident base (there are 30,828 residents in total of which 25,333 are general needs / social housing and 5,495 are leaseholders / shared owners). These figures do not include residents from Silva.

Satisfaction levels are generally lower amongst leaseholder and shared owners. The results of a recent survey measuring satisfaction levels for shared owners showed that¹:

- Shared owners' overall satisfaction was 63% which was significantly lower compared to Abri residents that were renting (75%).
- In comparison to renters, shared owners were less satisfied in all of the areas asked about through the survey, particularly satisfaction with Anti-Social Behaviour (ASB) generally.

¹ Findings from Abri's Interim TSM Results - Shared Owners - Jan 2023

- Shared owners were most satisfied that Abri keeps them informed (72%) and treats them fairly (74%). This indicates that communication may not be the key reason for reduced shared ownership satisfaction, as is sometimes speculated.
- The lowest areas of satisfaction was with Abri's approach to ASB (32% for those that had experienced ASB) and complaint handling (36% for those who had made a complaint in the last 12months). These are also the areas of least satisfaction for rental customers overall, but the shared ownership scores were lower.

It should be noted that these results are not comprehensive and the lower sample size means there is more likelihood of a wider margin of error.

For illustration purposes, an example of the charges applied to an Abri leaseholder is appended. Charges are made for both services provided and for management costs. These two areas have been separated for the purposes of this review.

Charges for Services

Charges for services are created by the Finance Service Charge Team working in conjunction with the Leasehold Team.

The Finance Service Charge Team go through a process of assessing and evaluating charges for services such as repairs, cleaning communal areas, utilities for communal areas etc. The process involves the team looking at the number and cost of services provided over the previous period and using these to set forecast charges for the coming year. Once completed the actual and proposed costs are passed to the Leasehold Team who go through the figures to ensure they are accurate.

Following confirmation from the Leasehold Team, the Finance Service Charge Team produce a definitive list of actual costs for the previous year and forecast costs for the year ahead. The forecast costs are then used to help set the estimate service charge.

A process is in place to ensure value for money for services that cost less than £250. Services costing over £250 are subject to a legal commissioning / tender process (Section 20). Qualifying long term agreements are put in place for things like utilities that cost more than £100.

Services that are commissioned / tendered are subject to service agreements. These set out the service expectations and progress against these are monitored regularly with the provider.

Block / property checks are also conducted as part of the quality assurance process, however, not all block inspections are undertaken by the Leasehold Team (as not all blocks are wholly shared ownership / leasehold). Given the Leasehold Team is responsible for fully understanding what work has been completed, whether services are being provided to the right standard etc. to confirm the accuracy of service charges, it is essential to have effective working links and processes with whoever is undertaking block inspections.

There is a **standard** list of services that are provided (see appendix). For some properties, Abri may provide some services but others are delivered by a management company. Leaseholders are then charged the management company's fee and the cost of the individual services provided by the management company is listed on their service charge statement as zero. In these cases,

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it is not obvious what services leaseholders are paying for as part of the management company charge.

There are arrangements in place to ensure management companies deliver the services and complete the work they are supposed to. In some, but not all, cases, it is contractually possible for Abri to replace a management company with in-house services if it chooses.

Shared owners / leaseholders also pay into sinking funds. These are used to cover major works for roofs, windows, building structures etc. Sinking funds are kept separately and accrue interest. No expenditure is made from a sinking fund without prior communication with residents. Sinking funds are only used for major expenditure items not general service charges.

Details on the value of sinking funds used to be routinely provided to residents but this practice stopped as part of the Abri merger.

Summary

There is a robust process in place for setting the charges paid by leaseholders for services such as repairs, cleaning etc. Value for money is assured and contracts are in place to monitor delivery. However, there is an opportunity to ensure greater confidence in the system by reviewing block inspection processes, clarifying which services are provided by management companies and providing residents with details of the value of sinking funds.

Action Ref	Recommended Action	Officer Responsible	Deadline
LH0923.01	That the Leasehold Team conducts block inspections where blocks are wholly shared ownership / leasehold.	Head of Specialist Residential Services	September 2024
LH0923.02	Where block inspections are conducted by Housing Partners, ensure effective working links and processes are in place between them and the Leasehold Team to inform the accurate setting of service charges.	Head of Specialist Residential Services & Group Housing Partnership Manager	September 2024
LH0923.03	That Abri provides information to leaseholders on how service charges are devised (the process) and includes this when sending out details of charges for the year ahead.	Head of Specialist Residential Services & Head of Housing Finance	March 2025
LH0923.04	That, where applicable, Abri explains the role of management companies, lists the individual services provided by them and the costs to ensure greater transparency for leaseholders.	Head of Specialist Residential Services & Head of Housing Finance	September 2024
LH0923.05	That information on the value of sinking funds is routinely provided to shared ownership / leaseholders.	Head of Specialist Residential Services & Head of Housing Finance	September 2024

Management Charges

Abri applies two fixed management charges to leaseholders. This appears to be common practice though some Housing Associations have taken the approach of charging leaseholders / shared owners actual rather than fixed costs.

Further charges are applied in addition to these for such things as buying and selling properties and when leaseholders seek permission or make requests for certain things.

Management 15%

Leaseholder service charges include a 15% Management Fee. Abri colleagues have explained this is used to cover the cost of processing the leaseholder service function (processing of invoices, developing service charges etc).

Although Abri colleagues have said they benchmark this charge against their peers it is not clear to leaseholders what they are paying for or what they receive as a result of this charge.

Management Fixed Fee

Leaseholder service charges also include a fixed management fee which is set at the rate recommended by the National Housing Federation. Abri colleagues have explained this fee is used to provide things such as leaseholder advice, the cost of the management function, block inspections etc.

Although colleagues have stated this charge is in line with that recommended by the National Housing Federation, it is again unclear to leaseholders what they receive for this charge.

Additional Charges

In addition to the two fixed management charges explained above, Abri apply an additional £42 fee for leaseholders to seek permission for certain things. They also apply additional charges for other things including functions relating to buying and selling properties (landlord packs, communication with solicitors etc).

Abri are required to give permission for certain things under customers' leases and are able to charge for this. Abri benchmark these additional charges against other housing associations and have said they tend to be mid to low table in comparison.

The rationale for making these charges was explained as covering activity specific to an individual leaseholder that requires permission under their lease, rather than universal services for all leaseholders. Abri colleagues also explained the charges are used to cover things like surveyor costs when considering structural changes to a property.

Abri's policy is to apply an additional charge for the costs involved in relation to these requests rather than absorbing them within the two fixed management fees already paid by leaseholders within their service charge.

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Abri's customer portal provides information on additional charges to seek permission for adaptations and pets. However, there is not a single list that sets out the whole range of additional charges that can be applied to leaseholders.

The process and circumstances in which charges will be applied is also not clear for leaseholders. Individual review panel members' experience has included being charged the £42 additional fee for permission to replace a broken boiler (though the charge was refunded when challenged on the grounds this was a replacement not an adaptation) and having to confirm the charge would not be applied to replace a broken oven. The leaseholder's experience of the process is that the charge is applied up front and acts as a barrier to having a dialogue regarding the proposed permissions.

An example of the lack of clarity can be found in Abri's '[A Guide to Your Shared Ownership Home](#)' which states:

'You can ask us for copies of accounts, receipts and other documents relating to your service charge account. But there may be a small fee for this service.'

Abri colleagues confirmed there was no written policy or process in relation to additional charges. This is an area for improvement. A clear written policy available to both Abri staff and leaseholders would make things transparent for leaseholders and give greater confidence that Abri staff were clear about when and how charges should be applied.

Summary

Although the two fixed management charges appear to be in line with other housing associations and recommendations for the sector, it is unclear to leaseholders exactly what they are paying for. It is also not clear why Abri chose to charge fixed management fees rather than actual costs.

Abri are in the process of procuring a new system that will allow them to provide more accurate descriptions for the fixed management charges applied to leaseholders. This could be used to help improve leaseholders' understanding of the services they are paying for.

There is a lack of clarity in relation to the additional charges applied to leaseholders. There is no single list setting out the full range of charges or when they are applied and no policy allowing leaseholders to understand how things work.

Action Ref	Recommended Action	Officer Responsible	Deadline
LH0923.06	Abri should include an explanation of the two fixed management charges when sending out service charge details to leaseholders so it is clear what they are paying for and what services they receive (including the policy of applying fixed management charges rather than charging actual costs).	Head of Specialist Residential Services & Head of Housing Finance	March 2025
LH0923.07	Abri should put in place a clear policy regarding additional charges for leaseholders that: sets out the reason for applying additional charges, the circumstances in which an additional charge will	Head of Specialist Residential Services	September 2024

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	be made (i.e. what specific requests incur an additional charge) and the process involved. The policy should be made available to leaseholders and Abri staff and included, along with a summary, on the customer portal so things are clear and transparent.		
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Conclusion

The process and system for setting charges for services seems robust with clear policies, contracts and monitoring arrangements in place. There are still opportunities to build confidence for leaseholders and these are captured in the first five recommendations of this review.

Management fees are less transparent. It is not clear what leaseholders are paying for and unlike charges for services, they are not based on actual costs.

It is also not clear for what things leaseholders will be charged additional costs on top of the two fixed management fees. There is not currently a single list or a policy relating to additional charges.