

MHCLG strengthening leaseholder protections over charges and services consultation

Southern Housing is one of the largest housing providers in the UK with around 80,000 homes across London, the South East, the Isle of Wight and the Midlands, giving over 167,000 people somewhere affordable to call their own. Southern Housing's position is unique as we occupy both the role of freeholder and leaseholder. Our homes are owned and managed by us and others in varying configurations. Where we apply service charges, they directly cover the cost of services provided to blocks or estates: no social landlord profits from service charges.

We've been pleased to provide responses to a number of consultations in recent years on the topic, including to the Ministry of Housing, Communities & Local Government consultation on permitted insurance fees for landlords, freeholders and property managing agents (February 2025) and the former government's consultation on modern leasehold, restricting ground rent for existing leases. As a housing association, we don't charge any fees or commissions to our leaseholders in relation to insurance. We don't receive any form of remuneration, whether fees, commissions, or otherwise, from insurers or brokers in connection with our insurance policies. Nor do we generally charge more than a nominal amount of ground rent, with any amount being redirected back into the services we provide.

We also recently responded to the Government's [survey](#) on Social Housing Tenant Service Charges which was launched after this consultation. We understand this survey was an acknowledgement from the Ministry that providers did not have the capacity to respond to a new 205 question consultation over the summer, especially while a number of other important consultations concerning the sector were ongoing. We appreciated the opportunity to provide targeted, relevant information to the Ministry and we hope they take that approach forward in future when consulting with the sector on future proposals in any policy area where it's appropriate.

As a member of the [National Housing Federation](#) (NHF) and the [National Leasehold Group](#) (NLG) - both of whom have compiled a full response to the consultation - we feel our position on the technical questions will be covered by their responses. We therefore use this response to contextualise these sector wide responses with our operational approach at an individual large social landlord level.

OUR APPROACH

Transparency and fairness are central to our approach with all our residents including leaseholders, and we believe our practices already align with the intent of the proposed reforms to ensure leaseholders are not unfairly charged or subject to hidden fees.

As a landlord, service charges cover all the costs associated with services and repairs to shared parts of buildings. Our service charges reflect actual costs and we spend every penny in maintaining and managing our homes. We don't profit from service charges.

Charges are shared between properties based on the services provided. For example, ground floor flats contribute to lift servicing, and upper floors to door entry systems. In line with best practice, we're switching to a fixed management fee instead of using a percentage-based model. The management fee covers the costs of centralised services, including overseeing contractors, managing contracts, handling leasehold administration, addressing queries and complaints, processing invoices, preparing service charge statements, and collecting rent or service charges.

Residents' occupancy agreements will say if they pay variable service charges or fixed service charges. Regardless of type, service charges are used solely to cover service costs and reinvest in homes and communities, with no profit made.

A fixed service charge means residents pay a set amount for services, just like residents on a variable charge. However, the charge won't change based on actual costs, so they won't be asked to pay more (or receive a refund) if expenses are different from the estimate. They also won't receive a statement showing actual costs.

If they pay a variable service charge, we'll aim to let them know the actual annual cost within six months of the end of the financial year. If they're unable to do it within this time, we'll issue a notice in accordance with section 20B of the Landlord and Tenant Act 1985 (as amended) notifying them that costs have been incurred and that they'll be required to contribute to them once the final accounts have been produced.

For homeowners, we'll make any adjustments for any under or overpayment of service charges to their account. This adjustment will usually be made at the end of October once they receive the actual service charges statement. For tenants, we'll add or deduct the difference to the following year's estimated service charges, as a service charges adjustment.

GOVERNANCE

We take our responsibilities towards residents seriously and administer our service charges professionally and fairly. We fully appreciate errors and inconsistencies are unwelcome and incredibly frustrating for residents, so we're doing all we can to ensure charges are both accurate and reasonable. We're constantly looking at ways to improve the way we manage service charges and last year we established a Service Charge Improvement Board to oversee a multi-year transformation project. This will manage several important actions including an upgrade to our service charge software and revisions to our processes to provide improved transparency of charges to residents.

As part of these efforts, earlier this year, our colleagues and residents worked together to create a new [service charge policy](#). It outlines our approach to setting, managing, and reviewing service charges for all our residents where service charges apply, irrespective of tenure. This ensures we adhere to both statutory and regulatory requirements whilst remaining both fair and consistent.

We also added in specific reference to our [service charge dispute resolution policy](#). When calculating service charges, we always try to ensure we calculate them correctly and fairly, following the legal consultation requirements (applicable to variable service charge payers). The service charge dispute resolution policy outlines what action residents can take if they feel we have not done this, and what we'll do to resolve the dispute. We'll consider resident needs and adjust our process, where reasonable, in line with our Reasonable Adjustments & Vulnerable Needs Policy.

Beyond these policies, we work hard to [communicate](#) our approach to service charges to residents, explaining how service charges work. Recently this has included an 18-page 'spotlight' [magazine](#) entirely dedicated to service charges. We're honest with our residents about what impacts cost and how their money is being spent.

COST INCREASES

We always look for value for money in the services we provide and aim to balance the quality of the services against the cost. Service charges for general needs social rent tenants have actually risen slower than the headline rate of inflation since 2019 across the housing association sector. But according to the Property Institute's [annual index](#), in the case of leaseholders, service charges are rising and outpacing inflation. There are many factors which are causing service charges to increase, led by three key drivers of which two are unique to leaseholders. These are: increases in building insurance cost, increases in fire and building safety requirements as well as rising costs for materials and parts.

Frustratingly, these are largely out of our immediate control, but we'll continue to do everything we can to protect residents from some of the pressures we're facing. This includes bringing services in-house to Southern Housing where possible, so we don't have to pay VAT on the cost of labour and there are no contractor costs. New service contracts are set up through a competitive procurement process to ensure we deliver the best service and value for money. We focus on maintaining high standards while keeping costs in check.

We're also taking decisive steps to improve charging to residents where a managing agent delivers services on our behalf. For many homes provided via section 106, it is the managing agent rather than housing association that is responsible for setting service charges. In these scenarios, our intermediary role can make improving accuracy, transparency and value for money much more difficult. A minority of managing agents impose cost increases with limited explanation or opportunities for us to challenge. To address this, we've established a dedicated team to better hold managing agents to account. Going forward, we'll only take on homes through section 106 where we know the managing agent can deliver the high standards of customer service and charging transparency we demand. And longer-term, our ambition is to shift as much as possible away from section 106 and towards land-led development so we have much greater control of the service charges residents will face.

We believe our approach provides fair outcomes for both leaseholders and those supplying these services. Many of the specific issues highlighted in the consultation are therefore not directly relevant to our operating model. It is important to distinguish between those who operate transparently and fairly, such as housing associations, and

others whose practices may not meet the same standards. We'll continue to think creatively about what more we can do to insulate residents from inflationary pressures and will do all in our power to ensure our charges are transparent and offer our residents value for money.