



**Consultation: Service charge transparency requirements: ongoing costs of the new building safety regime**

***G15 Response***



## About the G15

The G15 is made up of London's largest housing associations. The G15's members provide more than 715,000 homes across the country, including around one in ten homes for Londoners. Delivering good quality safe homes for our residents is our number one priority. Every year our members invest almost £900m in improvement works and repairs to people's homes, ensuring people can live well. Together, we are the largest providers of new affordable homes in London and build around 15% of all affordable homes across England. It's what we were set up to do and what we're committed to achieving. We are independent, charitable organisations and all the money we make is reinvested in building more affordable homes and delivering services for our residents.

Find out more and see our latest updates on our website: [www.g15.london](http://www.g15.london)

The G15 members are:

- A2Dominion
- Catalyst
- Clarion Housing Group
- The Guinness Partnership
- Hyde
- L&Q
- MTVH
- Network Homes
- Notting Hill Genesis
- One Housing
- Peabody
- Southern Housing

For more information, please contact: [G15@mtvh.co.uk](mailto:G15@mtvh.co.uk)



## **Contents**

Introduction	4
Comments on specific consultation questions	5
Conclusion	10



## **Introduction**

As an organisation of London's leading housing associations, the G15 is acutely aware of the importance of maintaining our relationships with our residents. Transparency in terms of any service charge costs is essential to maintaining this relationship and trust between us and leaseholders.

Our absolute priority is the safety of our residents. The events at Grenfell Tower in 2017 were a tragedy which must never be allowed to happen again, and the building safety works which we are continuing to undertake are essential to the prevention of future tragedies.

The costs associated with these building safety works have placed an enormous strain on housing association's resources and on added further pressure to leaseholders through their service charges.

Ensuring ongoing transparency in terms of these costs is essential and providers must ensure that our systems and processes are suitable to continue to provide this transparency and respond to queries from residents where they arise.

We are also calling for the Government to clarify the full extent of the new requirements before allowing for a suitable timeframe for providers to implement these changes. This will help to ensure that providers are able to update and continuously improve the effectiveness and efficiency of their systems, reducing the costs to our leaseholders, and adhering to the highest standards of transparency.



## Comments on specific consultation questions

**Q1: Do you agree or disagree with the proposal that landlords must identify the element of the service charge spent on the ongoing costs of the new building safety regime in service charge demands?**

The G15 supports this proposal. Transparency between the landlord and leaseholder is an essential component of our relationship.

**Q2: Do you agree or disagree with the proposal that, as part of the annual service charge statement, landlords must do both of the following:**

- **Identify the element of the service charge spent on the ongoing costs of the new building safety regime.**
- **Provide a per-building itemised breakdown of the specific measures that were paid for**

Whilst we are supportive of the requirement to identify the element of the service charge spent on ongoing costs of the building safety regime, we disagree with the proposal to require per building itemised breakdowns of specific spend. These will be extremely costly and complex to administer.

This information is available to leaseholders on request.

**Q3: Do you have any other comments on the proposed requirements to make the ongoing costs of the new building safety regime transparent?**

This will require more detailed finance codes to contain the supporting detail to allow an appropriate level of detail to be easily shared with leaseholder, as well being able to support efficient and clear responses to service charge queries.

Providers will require the necessary period to implement these within their respective organisations.

**Q4: If you will be responsible for charging these new costs, what administrative and operational changes are required to ensure that you can issue service charge demands with the ongoing costs of the new building safety regime made separately identifiable?**

Administrative or operational changes will be required.



**Q4a: If you answered 'Administrative or operational changes will be required' or 'Other' please explain your answer or specify what administrative or operational changes will be required.**

Providers will be required to make the following changes:

- Robust and leaseholder focused activity and finance coding
- Implement reconciliation and apportionment of costs incurred prior to new activity/finance coding and service charge system and procedures
- Record and evidence activity levels in systemic approach, as often the counter claim is the activities did not take place/or as frequently and/or diligently as charged

A suitable timeframe for implementation is vital for providers to integrate these changes internally.

**Q4b: If you will be responsible for charging these new costs, and you think that administrative or operational changes will be required, please provide an estimate of the costs of making the administrative or operational changes.**

At present, we are unable to provide cost estimates. Clarity is required with regards to whether providers will be permitted to use their own new and existing service charge descriptions or if these will be determined by the Government.

It is important to note that the more prescriptive the requirements, the more costly these are likely to be for providers.

**Q5: Do you agree or disagree that any administrative and operational changes would be easy to implement with regards to service charge demands?**

We are unable to answer this question at this stage.



**Q6: If you will be responsible for charging these new costs, what administrative and operational changes are required to ensure that you can issue annual service charge statements with the ongoing costs of the new building safety regime made separately identifiable?**

Administrative or operational changes will be required.

**Q6a: If you answered 'Administrative or operational changes will be required' or 'Other' please explain your answer or specify what administrative or operational changes will be required.**

Providers will be required to set up systems and procedures on an end-to-end basis as far as is reasonably practicable. This will help to ensure that costs and supporting information for recharging is captured on these systems.

**Q6b: If you will be responsible for charging these new costs, please provide an estimate of the costs of making the administrative or operational changes.**

We are unable to provide estimates at this stage. As stated in our answer to Question 4b, Clarity is required with regards to whether providers will be permitted to use their own new and existing cost codes or if these will be determined by the Government.

**Q7: If you will be responsible for charging these new costs, what administrative and operational changes are required to provide leaseholders with an itemised breakdown of the total money per building of the annual service charge that is going toward paying for building safety measures?**

Administrative or operational changes will be required. As referred to in our response to Question 2, we are concerned that these breakdowns that per building itemised breakdowns of specific spend will be extremely costly and complex to administer.

**Q7a: If you answered 'Administrative or operational changes will be required' or 'Other' for question 7, please explain your answer or specify what administrative or operational changes will be required.**

We are unable to provide estimates at this stage. As stated in our answer to Questions 4b and 6b, clarity is required with regards to whether providers will be permitted to use their own new and existing service charge descriptions or if these will be determined by the Government.



**Q8: Do you agree or disagree that any administrative and operational changes would be easy to implement with regards to annual service charge statements?**

Neither agree nor disagree.

**Q9: What would the impact on you be if there were a delay between commencing the charging mechanism provisions and the transparency requirements?**

Somewhat negative impact.

**Q9a: Please provide an explanation for your answer to question 9.**

Leaseholders are likely to query any additional service charges. If providers are not able to explain and respond in an effective way this will lead to leaseholder dissatisfaction and mistrust. Costs should be clearly communicated to residents from the outset in order to maintain our relationships with them.

**Q10: Would you prefer option 1 or option 2? (Outlined in paragraph 36, Below).**

- **Option 1: The transparency requirements for the ongoing costs of the new building safety regime come into effect as quickly as possible after the regime is up and running, meaning that a staggered implementation may be required if the government pursues the wider service charge reforms.**
- **Option 2: The transparency requirements for the ongoing costs of the new building safety regime are delivered to a slower timeline as part of any wholesale reform to drive up transparency of service charge costs, offering potential efficiencies in implementation.**

Option 2. We would also prefer for any requirements to be introduced for the following financial year and not applied retrospectively as this could create additional difficulties surrounding retrofit expenditure and new costs.

Another possible approach could be a pilot. This would allow providers to gather feedback from a group of residents helping them to refine their approach and highlight some issues which haven't previously come to light.

**Q10a: Please provide an explanation for your answer to question 10.**

As per our understanding from previous discussions with DLUHC in 2022, the proposals for further transparency of service charges will have a high net impact for



landlords, so it would be sensible to introduce all the changes together to allow efficiencies in implementation.



## **Conclusion**

As stated throughout our evidence, The G15 supports the highest standards of transparency in terms of service charge costs. This is essential to maintaining our relationship with leaseholders and the trust between us.

Building safety costs are continuing to stretch the resources of providers and add to pressure on leaseholders through additional service charge costs. Ensuring ongoing transparency in terms of these costs is essential and providers must ensure that our systems and processes are suitable to continue to provide this transparency and respond to queries from residents where they arise.

In addition to the responsibilities of providers, the Government must also ensure that these proposals are implemented in a way which helps us to ensure our processes and systems are able to deal with the requirements.

The new requirements must be clarified in full before being implemented within a suitable timeframe for providers to full integrate these changes. Through this, providers will be able to update and continuously improve the effectiveness and efficiency of our systems, reducing the costs to our leaseholders, and adhering to the highest standards of transparency.