Workman

Leasehold and Freehold Act consultation response briefing

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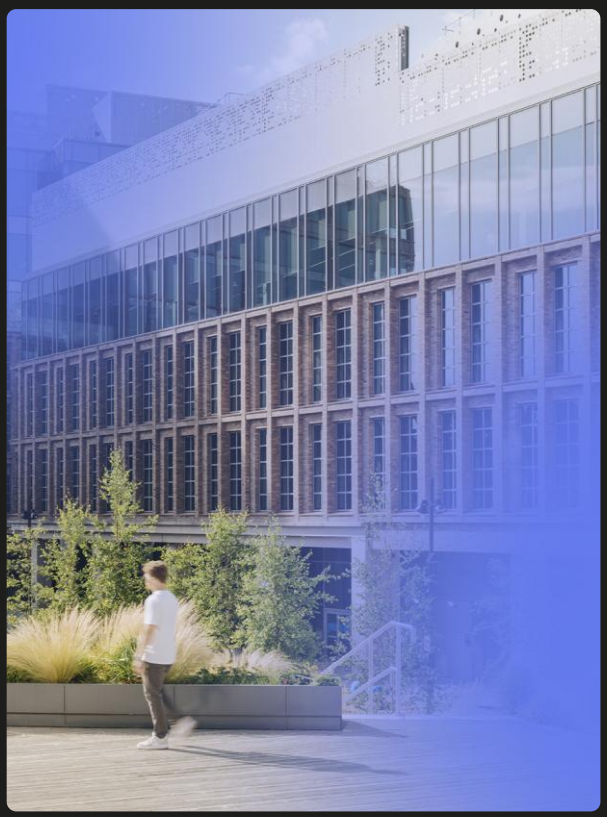
With the change of government ministers and announced updates, it has been a busy period for housing in the UK.

Overview of consultations

During the summer, Matthew Pennycook announced the results of the consultation on "Strengthening leaseholder protections over charges and services consultation". This was via the Leasehold and Freehold Reform Act 2024, which introduces significant reforms if enacted and is aimed at increasing transparency, standardising service charges, and empowering leaseholders.

Below, we outline the key provisions and upcoming changes. We will continue to update you as these measures are implemented. We have included links to the annexes found in the Government's response to the consultation for information.



Although most measures are currently forecast to be implemented in 2027 or 12 months after being introduced via a Statutory Instrument such as the Service Charge Consultation Regulations. Where we have been provided draft forms via the consultation, they are included here as a link to the Government's own consultation. However, we await the Ministry's regulations for the final version of these documents, including their expectations for use, timelines to issue and provide more information.

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Standardisation and forward-looking reporting

Annual Reports: Landlords will be required to provide an annual report detailing the health and condition of the building, plans for major works, and other relevant information. This report aims to enhance transparency and will include declarations of relationships between landlords and third parties, such as managing agents.

Annual report form.odt

Standardised Service Charge Demand Form: A new standardised form will be introduced for service charge demands, accompanied by an annual budget comparison. This measure ensures leaseholders understand their financial obligations and any changes from previous periods.

Service charge demand form.odt

Service charge demand form detailed budget.odt

Reconciliation demand form.odt

Future Demand Notices: Standardised notices will inform leaseholders about delayed service charge demands, providing clarity on expected costs and timelines.

Future demand notice template.odt

Right to Information

Access to Information: Leaseholders will have the right to request information related to service charges, management, maintenance, repair, and insurance. A statutory list of information will be provided, with a sliding timescale for response based on the complexity of the request. This right will extend back six years for leaseholders and will have a requirement for the leaseholder to respond within a certain period.

Administration and Insurance Charges

Administration Charge Schedule: Landlords must provide a clear schedule of administration charges, detailing exact charges or calculation methods. This schedule will be part of the annual report and available upon request. This is currently different than the Consumer Rights Act and Tenant Fees Act, which provides for these fees to be on the agents' websites.

Building Insurance Transparency: New requirements will mandate the disclosure of relationships and arrangements between landlords, managing agents, brokers, and insurers, ensuring leaseholders receive clear information on insurance procurement and pricing.

Template for provision of insurance information.odt

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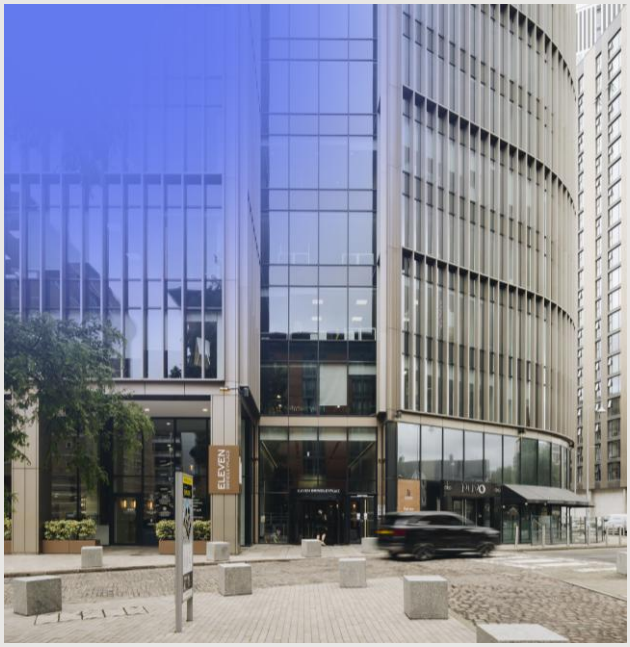
Service Charge Accounts

Standardised Framework: A prescribed format for service charge accounts will be introduced, including a balance sheet, income and expenditure account, and details of sinking funds. This measure aims to improve consistency and enable better scrutiny of costs.

The Government is considering which ISRS *(International Standards on Related Services)* standard to use and may require that the accounts be prepared and signed off by "appropriately qualified professionals". We are currently working with our accounting teams ahead of the changes to ensure we will meet the increased standards on day one of any transition period.

Service charge accounts template.odt

Financial statement regarding service charge accounts.odt



Litigation Costs

Rebalancing the Litigation Costs Regime: The Government is set to reform the recovery of litigation costs through service charges, requiring court or tribunal approval. Leaseholders will also gain new rights to recover litigation costs in specified circumstances, which are yet to be fully provided.

Implementation timeline

The government plans to implement these measures starting in 2027, with varying notice periods for private and social landlords to adjust their processes and systems accordingly. We will keep you updated on the exact timelines and any further developments. For more information, please contact us using information and we can arrange a briefing on the changes.

With all the changes in industry, it is important to keep updated as the Government has indicated that it wishes to undertake systematic change regarding Leasehold Reform. The Government's proposed reforms under the Leasehold and Freehold Reform Act 2024 represent a significant move towards what it believes are greater transparency, consistency and accountability within residential property management, with key changes expected to affect service charge reporting, leaseholder information rights, insurance transparency and litigation cost recovery from 2027 onwards.

As further regulations and implementation guidance are released, we will continue to monitor developments and review the processes to ensure readiness for the new requirements. If you have any questions about how these changes may affect your asset, building, service charges or management arrangements, we are available to provide further information.

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If you would like to talk through what any of these changes mean for your portfolio, please get in touch with the Workman Residential team:

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