

Petition: Estate charges

Y Pwyllgor Deisebau | 1 Tachwedd 2020
Petitions Committee | 1 November 2020

Reference: SR20/0837-6

Petition Number: Petition P-06-1194

Petition title: To legislate to give freeholders in new build properties the right to manage their own estates

Text of petition: The Commonhold and Leasehold Reform Act 2002 gives leaseholders the right to acquire the landlord's management functions by transfer to a company set up by them. This same right does not apply to freehold owners on new developments, who have to pay a service charge to a company appointed to manage their estates. As a result they have no control over the amount of their service charge or maintenance issues. There needs to be reform to protect homeowners from excessive charges and poor management



1. Background

Where the local authority has not adopted common areas like roads, open spaces and play facilities on housing estates, private arrangements can be put in place to ensure they are maintained. This will result in a charge being levied on residents by a management company to pay for the upkeep of these areas.

Leaseholders will pay these fees through their service charge and freeholders will be made subject to an estate rent charge. However, freeholders do not have the same rights as leaseholders to address concerns related to these charges. Tenants may pay these costs through their rent or a service charge.

2. Welsh Government action

The [Programme for Government](#) contains a commitment to “Ensure that estate charges for public open spaces and facilities are paid for in a way that is fair.”

The Welsh Government consulted on estate management charges in 2020. A [summary of responses](#) to the consultation was published on 30 November 2020 along with a [written statement](#) to the Senedd from the then Minister for Housing and Local Government. Six hundred and four responses were received, the majority of which were from homeowners and residents. In terms of next steps for the Welsh Government, the consultation summary notes:

It is clear from the evidence provided that the practice of estate charges does not work effectively for everyone under the current arrangements. The Minister will therefore use the evidence that has been gathered to consider the areas where change is needed and the potential options which may be available to make those changes.

This is just the start of a change process and any changes proposed or considered will be developed in conjunction with the industry and would be subject to further formal consultation and stakeholder engagement affording a further opportunity for feedback.

The Minister’s letter to the Chair also highlights some of the wider issues that need to be considered when formulating a response to this issue:

...there is a question which needs to be explored about how public open spaces and facilities which are so valuable in new housing developments should be paid for. I recognise it is not simply the case that local authorities could take on these

additional responsibilities in perpetuity without the necessary resources to provide for such a service. This question requires proper thought and investigation, to ensure any changes we make do not bring about unintended consequences and unforeseen adverse impacts. I will of course keep members updated as this work progresses.

The Minister's letter notes that she has already committed to giving freeholders legal rights to challenge unfair charges and highlights forthcoming Senedd and Westminster legislation that is intended to address a number of issues relevant to this petition. This includes a registration and licensing scheme that would cover estate management companies. There are also proposals to give freeholders similar rights to leaseholders to challenge the reasonableness of estate charges and the ability to appoint a new manager to manage the provision of services covered by estate rent charges.

3. Welsh Parliament action

The issue of estate charges has been raised on many occasions in the Senedd.

On 14 March 2018 the Senedd debated a [Members' Legislative Proposal](#) on Estate Management Companies. The motion, moved by Hefin David MS, proposed a Bill for the regulation of estate management companies. The proposed Bill was to include, amongst other things, giving freeholders equivalent rights to leaseholders to challenge the reasonableness of charges. Responding to the debate, the then Minister for Housing and Regeneration, Rebecca Evans, committed to set up the task and finish group to examine this issue amongst others. That group was established and subsequently published its report in [July 2019](#).

Following the 2021 election, on [15 June 2021](#), the issue of estate charges was again raised in the Senedd by Hefin David MS. He asked for a statement from the Minister for Climate Change on the issue. Responding on behalf of the government, Lesley Griffiths MS said "...the Minister for Climate Change is considering all options available before coming to any further decisions."

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