

Background

Barnet Homes regularly reviews the management fee it charges leaseholders to gain assurance that the cost for managing the portfolio are being recovered. The review includes a benchmarking exercise to compare the fees charged by Barnet Homes with those charged by those in its peer group (local authorities and ALMOs based in London and the South East).

On this occasion 11 organisations were invited to participate in the benchmarking exercise, 8 of which submitted a return. Participants were asked to provide the following information:

- The name of the organisation
- Number of leaseholders
- Management fee methodology
- Management fee amount
- Major works administration fee methodology
- Major works administration fee amount

Summary:

Management Fee

Methodology – The majority of respondents charge a fixed rate management fee based on the actual cost of providing services rechargeable to leaseholders under the terms lease.

Two respondents charge a combined fixed fee, with a percentage on top and one respondent operates a tiered structure based on the value of the service charge.

Management Fee – The lowest fixed rate management fee (rounded to the nearest 100) is £100 and the highest (rounded to the nearest 100) is £300.

Only three respondents specifically stated a different management fee structure/amount for freehold properties.

Major Works Administration Fee

Methodology – All respondents charge an administration fee based on a percentage of the cost of the works.

Administration Fee – The percentage amount charged ranges between 2.27% and 16%, giving an average is 11%.

Management fee and methods being used in 2021/22 by other Boroughs/ALMO's

ALMO/Borough	Number of Leaseholders	Management Fee Methodology	Management Fee	Major works Admin Fee Methodology	Major Works Admin Fee
Barnet Homes	3,859 includes 288 Freeholders (GP Estate).	Fixed fee of £119 + 24.5% of all service charges over £50 GP Freeholders flat fee of £35	£189 average in 2021/22	Percentage	16% on the first £1,000 of the leaseholder's share of the cost of the work and then 5.6% on any amounts over and above £1,000.
Camden Council	9,409	10% - limited by the lease or fixed fee – based on the actual cost of providing services (lease permitting)	£219 - Actual cost for 2021/22	Percentage	10.97%
London Borough of Hackney	8,046 Leaseholders 1,304 - Freeholders with Service Charge	Fixed Fee- Tier structure based on the actual cost of providing services.	£223 – Leaseholders on Estates £167 – Street Properties £57 – Freeholders on Estate	Percentage	10%
Harrow Council	1,179	Fixed Fee (under review)	£100	Percentage	13%
London Borough of Hounslow	2,989	Fixed Fee - Tier structure based on the value of the service charge	£289 -Full charge if the service charge exceeds £100 £193 - 33% discount if service charge is between £60.01 and £99.99 £144 - 50% discount if service charge is lower than £60 Freeholders – charged an admin fee for district heating system (£58) and grounds	Percentage	13% (to be reviewed), Plus an additional professional fee of 6% for capital programme schemes.

			maintenance (£21), if applicable		
Islington Council	8,000 leaseholders 700 freeholders	Fixed fee – Tier structure based on property category basis	£321 - Leaseholders (standard) £247 - Leaseholders (converted houses) £215 - TMO leaseholders* £203 - Estate freeholders £168 - TMO freeholders* * These are the council's management charges. The TMOs' management costs are included in a separate element of the service charge.	Percentage to cover the cost of technical staff overseeing the project – The Home Ownership Team's admin costs are included within the annual service charge management fee	11%
London Borough of Redbridge	2,519	Fixed fee – based on actual cost of providing services, divided by the number of leaseholders.	£206 – Actual cost for 2021/22	Percentage, plus flat fee	8% of the cost of the works, plus a flat fee of £97.19 to cover the Home Ownership Team's administration costs.
London Borough of Waltham Forest	2,200	Fixed fee, plus variable element by % of service cost	£118 flat fee per property, plus 15.69% of variable service charge - Capped at maximum of £350.	Percentage	12%
Westminster City Council (formerly City West Homes)	9,058	Variable fee - based on actual cost of providing services and unit/property category basis.	£93 - Average Leaseholder only unit charge £142 - Average Tenant & Leaseholder unit charge	Percentage	2.27% - Old term contracts (pre- Long-Term Agreements contract re-let) 3.59% - New long-term agreement contract