



## **Leaseholder Management Policy**

**SER-POL-10**

**Version 2.0**

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**Date approved: 19 November 2013**

**Approved by: Board**

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## **1. Introduction**

1.1 This policy sets out how Southway will manage services to its leaseholders.

## **2. Customer Care**

2.1 Southway will provide leaseholders with a high quality service in the management of their lease and the maintenance of their property. The Trust will offer the same standards of customer care and the same performance standards to leaseholders as it offers to its tenants.

2.2 Southway will produce a Leaseholder Handbook, which will be reviewed every three years.

## **3. Service Charges**

3.1 Southway will send leaseholders quarterly invoices specifying their charges for the quarter and requesting payment within 30 days. Invoices will be issued in accordance with the lease.

3.2 All invoices will be accompanied by a “Summary of Tenants’ Rights and Obligations”.

3.3 An annual Sinking Fund Statement will be sent by the end of September each year and will detail payments made to and debited from the leaseholder’s sinking fund.

3.4 Southway will provide leaseholders, upon with request, with copies of invoices or an explanation of actual costs.

## **4. Sinking Fund Contributions**

4.1 Leaseholders are required to make a contribution to a sinking fund to cover any major work that may be required.

4.2 Sinking fund contributions will be reviewed every two to five years, to ensure that the leaseholder is not paying more than is necessary. Any amendments to the sinking fund will be made at the end of Quarter 1 of each financial year and apply for the period April to June.

- 4.3 Sinking fund contributions are held in 'trust' in an interest bearing account. Interest is added to the account annually and shown on the audited accounts.
- 4.4 Where a large maintenance cost (or similar) is incurred in any year (or needs to be included in estimated costs for a year), any credit held in the sinking fund will be applied against that cost.

## **5. Insurance**

- 5.1 As the freehold owner of blocks of flats that include leasehold homes, Southway is required by the leases to maintain a buildings insurance policy. This will be renewed on at least an annual basis and we will endeavour to secure an advantageous deal via the market so as to minimise the insurance cost to our leaseholders.

## **6. Repairs and Maintenance**

- 6.1 **General Repairs** (except major repairs) – Where these are the responsibility of Southway under a lease, they will be carried in accordance with the repair deadlines as long as access is granted by the leaseholder.
- 6.2 **Gas Safety** – Southway will offer leaseholders the option of opting into the Trust's annual Gas Safety Check service. Guidance on the service will be provided to all leaseholders. Those who choose to opt in to the service will be billed in accordance with the information specified in the guidance.
- 6.3 **Major Repairs** – Southway will observe the statutory requirements for consultation under section 20 of the Landlord and Tenant Act 1985 (as amended). In addition we will actively consult and work with our residents to understand their needs and provide, where possible, the services to meet those needs. In some cases, an application for dispensation may be needed.
- 6.4 **Optional Works** – Where works are being performed within the block of a leaseholder's property, but where there is no obligation on the leaseholder to take such works, they will be offered to the leaseholder as optional. Charges will be based on a fair proportion of the relevant project's costs and will be paid in advance. Standards of service will be the same as provided to tenants receiving the same work.
- 6.5 Other than in respect of gas safety, Southway reserves the right not to offer optional works where a leaseholder is in arrears or is under special payment terms (see below).

## **7. Service Charge Collection**

- 7.1 Leaseholders will be encouraged to set up Direct Debits to pay their charges; however, a variety of other payment mechanisms will also be made available.
- 7.2 Where service charges remain unpaid for more than 90 days after the initial demand the Trust may take action to recover the debt.
- 7.3 The Trust will seek to give leaseholders enough opportunity to clear the debt but ultimately, if the debt remains unpaid and no agreement has been made (or one has been breached), the Trust may take action that could lead to forfeiture of the lease.

## **8. Service Charge Arrears**

- 8.1 Where the Trust has made a demand for payment of service charges and that payment has been outstanding for 90 days (or is unpaid at the date the next invoice is raised), the arrears recovery procedure may be initiated.
- 8.2 The following action will be taken to ensure payment is made:
- Phone call to the leaseholder
  - Letter 1 – Request for immediate payment
  - Letter 2 – Request for payment in 14 days
  - Letter 3 – Request for payment in 7 days
  - Letter 4 – Mortgage Company contacted / CCJ applied for

Letter 1 and letter 2 will give the leaseholder 14 days to reply and give them the option of entering into an “affordable payment plan”.

- 8.3 Any calculation of service charge debt must exclude sums for ground rent.
- 8.4 Where the debt remains unpaid for a period of three years or the service charges (or a combination of service charge, ground rent and administration charges) owed exceeds £350.00, the Trust may seek forfeiture of the lease.
- 8.5 Any legal costs incurred by Southway will be added to the debt and recovered from the leaseholder.

## **9. Ground Rent**

- 9.1 The Trust will collect ground rent in accordance with the terms of the lease.
- 9.2 Where the leaseholder consents, to make payment easier ground rent may be added to the service charge bill and collected quarterly.
- 9.3 Where ground rent is not paid the Trust will follow its arrears recovery procedure (as at 8.2) and attempt to reach an agreement with the leaseholder to pay the debt.
- 9.4 Where the ground rent remains unpaid for a period of three years or the ground rent (or a combination of service charge, ground rent and administration charges) owed exceeds £350.00, the Trust may seek forfeiture of the lease.
- 9.5 Any legal costs incurred by Southway will be added to the debt and recovered from the leaseholder.

## **10. Administrative Charges**

- 10.1 The Trust will make charges for certain administrative services such as:

- Consents to re-mortgage
- Consents to make home improvements
- Deeds of covenant
- Enfranchisement

Full details are provided in the Leaseholder Handbook.

- 10.2 Payment is normally required upfront; however, the Trust may consent to adding the cost to the leaseholder's service charges unless the account is already in arrears.
- 10.3 Where administration charges are not paid the Trust will follow its arrears recovery procedure (as at 8.2) and attempt to reach an agreement with the leaseholder to pay the debt.
- 10.4 Where any administration charges remain unpaid for a period of three years or the charges (or a combination of service charge, ground rent and administration charges) owed exceeds £350.00, the Trust may seek forfeiture of the lease.
- 10.5 Any legal costs incurred by Southway will be added to the debt and recovered from the leaseholder.

## **11. Major Works Charges**

- 11.1 Where necessary, the Trust will consult on any major works in accordance with Section 20 of the Landlord and Tenant Act (as amended).
- 11.2 The Trust will issue a final bill within 18 months of the cost being incurred.
- 11.3 Where a leaseholder has funds in their sinking fund the credit will be used to pay all or a portion of the major works bill.
- 11.4 Where the sinking fund is insufficient to cover the entire major works bill, the leaseholder will be encouraged to obtain mortgage or equity release finance to fund the outstanding charges.
- 11.5 Where the leaseholder can demonstrate to the Trust's reasonable satisfaction that they lack the financial means to settle, Southway will try to reach an affordable repayment plan as an alternative to forfeiture.

## **12. Affordable Repayment Plan (Interest Free Loan)**

- 12.1 Leaseholders will normally be expected to clear *service charge* arrears, and pay the current year's charges by the end of the financial year. However, where the arrears are over £1,000 the Trust will agree to spread payments over a set period of time.
- 12.2 Where the leaseholder is unable to secure funds to pay for *major works* in full the Trust will agree that payments can be spread over a set period of time.
- 12.3 The Leaseholder will be expected to enter into an interest free loan agreement for the sums owed.
- 12.4 Any service charge and major works debt may be combined to create one "Long Term Debt" and the total of that "Long Term Debt" will determine the terms of the loan agreement.
- 12.5 Where the Trust enters into an interest free loan agreement with a leaseholder the leaseholder must be resident in the affected property and must agree to:
  - Set up a Direct Debit for the duration of the payment period
  - Pay the debt within the agreed period of time
  - Pay any amount outstanding when they sell or transfer the property
  - Meet the Trusts debt advisor and provide a financial statement

12.6 In addition to the above, where the debt exceeds £2,000 the leaseholders must agree to:

- A charge for the amount owed being placed on the property
- Pay the Trusts legal fees in respect of the charge
- Provide details of their mortgage lender
- Pay any additional fees required by their mortgage lender
- Pay for the property to be valued by the Trust
- Provide the required proof of identify

12.7 Loans of less than £2,000 must be paid in four equal instalments and within 12 months. For loans over £2,000 the Trust will apply a charge to the property and agree a reasonable monthly repayment period.

12.8 All leaseholders will be offered debt advice and support via the Trust's S-Line service.

12.9 If a leaseholder breaches their loan agreement the Trust will take action in line with its arrears recovery policy at section 8.2.

### **13. Management of the Lease**

13.1 Southway aims to ensure that leaseholders uphold the covenants in their leases, in particular with regard to harassment, neighbour nuisance and other actions taken by them likely to affect other residents.

13.2 All new leaseholders will receive a welcome call which will explain the key elements of their lease and requirements to pay service charges. All new leaseholders will also receive a Leaseholders Handbook which contains information about:

- Leaseholder Improvements
- Anti Social Behaviour
- Subletting
- Selling
- Understanding charges
- Enfranchisement
- Right to Manage

## **14. Disposal of Freehold**

- 14.1 Southway may choose to dispose of a block or blocks of flats at any time and after consulting the residents of those flats.
- 14.2 Any disposal will be carried out in line with the Trust's Acquisitions and Disposals Policy.

## **15. Southway Lease**

- 15.1 Southway will be bound by the terms of the leases issued to Southway leaseholders by Manchester City Council. Where it believes those leases to contain anomalies and where it is cost effective to do so, Southway will seek Deeds of Variation.
- 15.2 Leases issued by Southway Housing Trust will be on a template drafted based on independent legal advice and will be reviewed as necessary, at regular intervals.

## **16. Disputes and Complaints**

- 16.1 The Trust has a comprehensive Customer Compliments and Complaints Policy, which is made available on our website and is referenced in the Leaseholder Handbook.
- 16.2 Where the Trust's complaints procedure has been exhausted or the leaseholder does not wish to use this procedure, they can apply to the Residential Property Tribunal for a decision on fairness of service charges or administration charges.

## **17. Links to other Policies, Procedures and Strategies**

- Customer Care (Everyone Matters) Policy
- Single Equalities Scheme
- Responsive Repairs Policy
- Customer Involvement Policy
- Customer Compliments and Complaints Policy
- Customer Compensation Policy
- Rent Setting and Service Charges Policy
- Accounting Policies
- Audit Policy
- Officer Standing Orders and Financial Regulations



<b>POLICY REVIEW HISTORY</b>	
<i>To be completed during each review</i>	
<b>Previous versions</b> (version number – approved by – approval date – title if different)  V1 – Board – 24/11/2009	
<b>Date of last EIA:</b>	
<b>Review lead by:</b>	Natalie Lewis
<b>Main points or amendments made and reasons</b>	
<ul style="list-style-type: none"> <li>▪ The policy has been reduced in length to make it clearer, easier for customers to understand and easier for staff to apply.</li> <li>▪ The Trust’s approach to arrears recovery has been reviewed and strengthened.</li> <li>▪ The Trust has developed an interest free loan option for customers who are struggling to pay their charges.</li> </ul>	
<b>Next review due:</b>	Q3 2016/17