



Services to owners Policy

Contents

1. Background
2. Introduction
3. Legal Position
4. Service Provision – Policy
5. Service Provision – Services
 - a. Factoring service
 - b. Administration service
 - c. Estate management
6. Management Standards
7. Charging Policy
 - a. Works costs
 - b. Insurance premium
 - c. Administration costs
8. Payment of Accounts
9. Information to Owners
 - a. Pre sale
 - b. Post sale
 - c. Advance notification of maintenance work
 - d. Other information
10. Internal Procedures
11. Monitoring Systems



SERVICES TO OWNER OCCUPIERS

1. Background

With the stock transfer in March 1995, the Association inherited Scottish Homes' rights and responsibilities in relation to the owners of houses originally sold under the Right to Buy. Within the estates owned by the Association there are over 1600 residents who have bought their houses from Manor Estates or previous owners, including Scottish Homes. The purpose of this policy statement is to set out how the Association will manage the provision of services to other property owners within its estates.

The Association provides two different categories of services to owners: factored and non factored. In July 1988 Scottish Homes introduced a compulsory factoring service for anyone buying a flat with the aim of ensuring that suitable arrangements were in place for the maintenance of common parts of the building and estate and that property was adequately insured. At present, just over 360 owners are included in the factoring service.

Owners of non flatted property, or of flats sold before July 1988, are not required to participate in the factoring service and their obligations with regard to common areas are limited to the provisions in their Title Deeds.

2. Introduction

In providing services to other property owners within its estates, whether in the factoring service or not, the Association will aim to meet the requirements of Performance Standards that:

“ (Associations) need to have effective policies and procedures for dealing with factoring matters and factoring charges need to cover the costs of managing the service”

The Association will also follow the guidance set out in the revised chapter of Raising Standards in Housing on factoring (where relevant) in providing services to owners.

3. Legal Position

The legal conditions under which a house is sold are set out in the Title Deeds. In this context the most relevant part of the Title Deeds is the Deed of Conditions which sets out the owner's rights and responsibilities in relation to their own property and others where Community Burdens can be applied. The community burdens are established in the Title Deeds for each estate and are usually, but not in every case, coterminous with the estate boundaries. In practice this means that when someone buys a property they take on rights and responsibilities not just for their own house but also those relating to the wider area.

When houses first began to be sold under the Right to Buy the original owner, SSHA, drew up a standard Deed of Conditions for each estate based on its own Title Deeds. Those standard Deeds were subsequently used by Scottish Homes and by the Association. The Deed of Conditions imposes "real" burdens on the owners of property; this means that the obligations relate to the property, continue even when a house is sold and pass to the new owner. The factoring service for flats is compulsory because participation is included within the Deed of Conditions as a condition of sale. Similarly, owners not in the factoring service have legally enforceable obligations in relation to maintenance of common areas because these are included in their Deed of Conditions.

The Title Deeds and Deed of Conditions are the legal basis for the Association's right to recover the costs of their share of works to common areas from owners. An extract of the relevant section of a standard Deed of Conditions is included as Appendix A. This makes it clear that other property owners are responsible for the maintenance and repair of common areas within the area covered by community burdens - (excluding these areas which have been adopted by the local authority or which serve one house or a group of houses exclusively). The Deed provides for the majority of owners within an estate to make arrangements for such maintenance and repair and for recovering their share of the costs from other owners.

4. Service Provision - Policy

In terms of the Title Deeds, the Association is only empowered to provide services to owners and recover the cost for as long as it owns the majority of properties in the estate. In a significant number of estates the Association no longer owns the majority of houses and in some areas, it owns fewer than 10% of the houses. In such instances the Association is not obliged by the Deed of Condition to provide a maintenance service for common areas.

In areas which are not covered by the factoring service, that is for non flatted property and flats bought before July 1988, it will be the Association's policy to continue providing services where it is not the majority owner for as long as it has an interest as a landlord in the area and where owners fail to make alternative arrangements. However, the Association will make owners aware of their option to take on responsibility for maintenance of common areas including collecting other owners' share of the cost. If the situation arises where the Association no longer owns property within an estate, serious consideration will be given to ceasing to provide a maintenance service unless owners consent to enter into a factoring agreement which will include agreement to pay the full cost of service provision.

In areas where it provides a factoring service, it will be the Association's policy to continue to provide this service for as long as it owns any property within a block. This is essential in order to protect the Association's and tenants' interests. However, where the Association has no property in a block and the owners wish to put alternative arrangements in place, they have the right to do so as long as those arrangements are formally established and meet the requirements of the Deed of Conditions. In such a situation, the Association would no longer be responsible for providing the factoring service for the block.

Where owners in the factoring service are in the majority within an estate, they are entitled to appoint their own factor. Should owners decide to do so, the Association would need to be satisfied that proper arrangements for maintenance of common areas and adequate insurance for all properties were in place. In such cases, the Association would not be responsible for maintenance but would be liable to pay its share of the costs of any necessary works properly carried out.

5. Service Provision - Services

The main areas of work that the Association will undertake on behalf of owners are set out below.

a. Factoring Service: for owners in the factoring service, the Association carries out three main types of work:

- block buildings insurance - owners whose property is included in the factoring service are required to have their buildings insurance cover arranged by the Association through a block buildings insurance policy. This has advantages for the Association as it ensures that all the individual flats within a block are adequately insured under the same policy which greatly simplifies the administration of claims. Individual owners benefit from very competitive premium rates because of the volume of insurance purchased by the Association. Should a claim have to be made which relates to the common parts of the block or estate the Association, as factor, is also responsible for claims administration and for organising reinstatement works
- repairs and maintenance to common parts of the block - this ranges from ad hoc repairs to the building to regular planned maintenance such as external painterwork
- maintenance of common areas within the estate - primarily landscape and open space maintenance

b. Administration Service: owners who are not in the factoring service receive a less extensive service from the Association which mainly relates to the maintenance and necessary repair of common areas within the estate. This is primarily landscape maintenance but can involve repairs to open spaces including footpaths, fencing and walls depending on what areas, if any, have been adopted by the local authority.

The scope of work involved in the factoring service is significantly wider than in non factored areas and this is reflected in the different level of administration fees charged.

c. Estate Management: the Association does not provide an estate management service for owners whether in the factoring service or not. This means it will not become involved in disagreements between neighbours, except where one of the parties involved is a tenant and there is evidence of a breach of the Tenancy Agreement. Because of the restrictions on owners liability included in the Deed of Conditions - owners are only responsible for a share of necessary maintenance - the Association will not carry out any non essential works within an estate unless the majority of owners agree in advance to meet their share of the cost. The Procedure Notes on Landscape Maintenance Standards and Estate Management and Rehousing set out in detail the Association's responsibilities and the limits of the service provided to owners in these areas.

6. Management Standards

In providing services to owners, the Association will operate within the requirements of Performance Standards and follow the procedures for the control and management of maintenance work set out in its Financial Regulations. This will include the provisions for tendering of contracts and the regular inspection of work carried out by contractors. Details of how the Association will ensure value for money and provide a good quality service are set out in its Financial Regulations and Maintenance Standards which are relevant to the management of services to owners as well as tenants.

7. Charging Policy

It is essential that the Association recovers the full cost of providing services from owners. Failure to do so would mean the costs of services which benefit owners being borne by tenants. This would be inequitable and must be avoided. It is, therefore, the Association's policy to charge to owners the full cost of the service provided which will include:

a) Works costs - this is the direct cost to the Association of all works carried out. Owners will be charged their share of this cost on the basis of the provisions of their Deed of Conditions. Most Deeds provide for owners to pay a proportional share based on the number of properties within the area covered by community burdens, usually, but not always, the estate. The works costs charged to owners will include the cost of professional fees involved in the preparation and management of contracts where this is carried out by external consultants. Where this work is carried out in house, the staff time spent on these activities will be apportioned between owners and tenants.

b) Insurance premium - this will be based on the cost to the Association of providing a block buildings insurance policy. At present a single policy is in place for all tenanted and factored properties; should the Association decide to purchase a separate policy for owners, the full cost of the premiums for this policy will be apportioned to owners in relation to the reinstatement value of their property.

c) Administration costs - the costs of administering the provision of services to owners is separate from and additional to the cost of the actual works themselves. The administration charge levied on owners will include the following work:

- identifying all works required to the common parts of the estate; including regular site visits by Technical Services and Housing Management staff
- dealing with specific queries from residents about the nature and standard of works
- providing regular information bulletins to owners about their responsibilities and processing and paying contractors' invoices
- calculating each owner's share of the cost of work carried out and/or planned
- raising and issuing invoices to each owner along with a covering letter explaining the charges
- processing payments received and negotiating with individuals on payment arrangements where appropriate
- dealing with all queries about invoices issued both in writing and by telephone
- debt collection action against non payers including follow up letters, visits and ultimately instructing Sheriff Officers.

The Association will issue accounts to owners not in the factoring service on an annual basis. The accounts will include the cost of any ad hoc repairs and maintenance of common areas carried out, the estimated cost of landscape maintenance for the year and the administration fee. In cases where an invoice, before adding the administration fee, would be less than £10, the Association may decide not to issue an account. In such cases, the amount due will be included in the next account.

For owners in the factoring service, two accounts will be issued each year. The first account will include the cost of: half cost of buildings insurance premium, full cost of landscape maintenance, full cost of any repairs to the block or other common areas and half the annual factoring fee. The second account will include: any further repairs to the block or other common areas and the remaining half of the factoring fee and building insurance premium.

Where major contract work has been carried out and owners are liable for a share of the cost in excess of £50, the Association may issue accounts immediately on completion of the work and receipt of the final account from the contractor. Should the final sum due change after the expiry of the defects period, an adjustment will be made to the next scheduled account.

Accounts will be issued with a covering letter giving a full breakdown of the costs charged and included on the invoice.

8. Payment of Accounts

The Association will make a range of payment methods available, including a bank giro payment slip attached to each invoice. Owners will also be able to pay accounts by cheque, debit card, credit card or postal order, but cash payments will only be accepted in exceptional circumstances, e.g. accounts in arrears. In cases where a large sum is due or an owner is unable to pay an account in full immediately, the Association will accept payment by installments.

The Association will pursue all accounts and seek to recover all amounts due from owners. Details of the arrears control policy and debt recovery procedures are set out in the Procedure Note on Debt Recovery.

The Association will monitor the recovery of costs from owners and analyse the income and expenditure on a cost centre basis each six months. To date the provision of services to owners has cost more in administration than the factoring and administration charges generate in income. The Association is aware of this problem which is largely the result of the charging structure inherited from Scottish Homes. Continuing efforts will be made to contain and reduce the cost of service provision by making more information available to owners and improving operational efficiency.

9. Information to owners

The quality and clarity of information provided to owners is a crucially important part of service delivery. The Association will provide information to owners as follows:

- a) **Pre Sale:** when a completed Right to Buy application is received the Association will issue a standard letter to the tenant advising them of the responsibility for repairs to common areas which they will be taking on if they buy the property. This will include details of the factoring service, including the block buildings insurance, where appropriate. The Association will also give the tenant details of the likely cost of the service based on the latest accounts issued for the estate.
- b) **Post Sale:** when a house sale has been completed, either through the Right to Buy or the resale of a privately owned property, the Association will issue further information to the new owner. This will include information on the legal responsibilities and liabilities the owner has taken on; details of the services the Association provides in the estate and an indication of the level charges likely to be made.
- c) **Advance notification of maintenance work:** the standard Deed of Conditions requires the Association to inform owners in advance of maintenance or repair work where it is anticipated the individual owner's share will be more than £50. In such cases a letter will be issued to owners informing them of the work to be carried out, the timescale and their estimated share of the cost. In cases where a repair is instructed which is estimated to cost an owner less than £50 but it later becomes apparent that the actual cost will be above £50, owners will be notified of this as soon as possible.

Where maintenance work is likely to cost each owner more than £250, the Association must convene a meeting of owners affected and obtain their consent before proceeding. If the owners do not agree to the work going ahead, the Association will consider whether an application should be made to the City Council for a statutory notice to be issued. This will only be used as a last resort since it is likely to result in increased costs.

None of the requirements for advance notification will apply in emergency situations where Association staff and/or contractors have to act immediately. However, in such cases information will be sent to owners about the work carried out and their estimated share of the cost as soon as possible after the emergency has been dealt with.

- d) Other information:** the Association will issue periodic newsletters to owners giving general information about the services provided. The aim will be to issue a newsletter annually, taking account of the costs involved. Raising Standards recommends that Associations hold regular meetings with owners to discuss the services provided and seek owners' views. The Association considers this to be impractical taking account of the very large number of owners and the resources which would be required.

10. Internal Procedures

The Association will have in place internal procedures for the effective and efficient administration of services to owners. These will detail the responsibilities of different members of staff at all stages of the process; set out timescales and make clear how enquiries from owners will be dealt with.

11. Monitoring Systems

The Association will monitor the services provided to owners, including the effectiveness of its policy and procedures. Regular reports will be provided for the Management Committee covering information about accounts issued and income recovered. In addition the Association will analyse income and expenditure in relation to the owners services cost centre on a six monthly basis. This will be reported to Committee as part of the overall cost centre accounts report.