

<p style="text-align: center;">ISLINGTON & SHOREDITCH HOUSING ASSOCIATION</p> <p style="text-align: center;">LEASEHOLDER SERVICE CHARGE POLICY</p>

1.0 Outline

1.1 Sharing Costs

Service charges for leasehold properties are calculated by sharing the costs of the service provision between the properties involved.

1.2 Scope

Leasehold service charges cover more items than those for a general needs rented property as a leaseholder is responsible for contributing to the costs of maintaining and repairing the fabric of the building.

1.3 Timing

An estimate is prepared before the beginning of the account year which is normally 1 April.

1.4 Year end Reconciliation and adjustment

As soon as possible after the end of the year there will be a reconciliation of actual annual costs with estimated annual cost which will be audited. Any surplus or deficit will be refunded or billed.

1.5 What is included

The calculation will consist of three main items:-

The estimated annual expenditure for the following year

Contribution towards reserve

An assessment of the reserve funds

1.6 Reserve Funds

Reserve fund or sinking fund surpluses will be placed in a designated interest bearing deposit account soon after the end of each financial year.

This bank account will normally be specific to the group of properties covered by the service charge.

2.0 Policies for providing estimates

The principles that the Association will use in providing service charge estimates are as follows:-

2.1 Basis of share

As specified in the lease.

For new leases this will be based on the number of dwellings in the scheme.

2.2 Estimated Expenditure

All expenditure reasonably incurred by the landlord in repairing, managing, insuring and providing services for the building / estate. A list is shown in appendix A

2.3 Administration Fees

The Association will charge an administration fee of 15% on all expenditure.

The Association will not charge an administration fee on any contributions to reserve however when expenditure on reserve or sinking fund items takes place there will be a fee of 15%.

2.4 Contribution Towards Reserve

A reserve or sinking fund will be created to cover those costs which do not occur every year.

There are some items where it is very easy to identify how often expenditure will take place. For instance external decorations will be carried out every seven years. In this case $1/7^{\text{th}}$ of the estimated cost will be set aside each year.

There are other elements where there may only be a replacement once in the life of the lease. An example is replacement or major repair of a roof.

It is extremely difficult to assess the correct collection rate for this type of work.

The Associations policy is that 60% of the cost of items with a life of more than 25 years will be collected.

The component lives will be as recommended by the supplier and or installer of the component. The advice of ISHA's consultants will be obtained where necessary.

In order to take into account the impact of inflation the amount of the annual contribution will be adjusted upwards only by the annual inflation for the preceding September or inflation as stated in the lease.

2.5 Assessment of the Reserve/ Sinking funds

As a matter of policy the value of the reserve fund and the likely life cycle of components will be assessed every seven to eight years and an assessment of the required contribution rate and amount will be made by a qualified surveyor.

Should it be necessary the Association will vary this timing.

2.6 Expenditure from the sinking fund

Leaseholders will be consulted on proposed works.

If the cost of the works is in excess of the sinking fund reserve, leaseholders will be required to make up the difference.

2.7 What Happens with empty properties

The Association is required to contribute to the sinking fund for any unoccupied properties unless that empty period is for the benefit of leaseholders. (For example if a flat were set aside to be a communal area for leaseholders)

2.8 Where ISHA does not own the freehold of the property

If ISHA has a long lease of a property the relevant charges made by the freeholder or head lessee will be passed on.

There may be additional charges if ISHA is responsible for the fabric of the building and or the maintenance and management of all or part of it.

3.0 Review

3.1 To be reviewed every three years by Finance Director.

Malcolm Holloway
Finance Director

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