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# OAK TREE HOUSING ASSOCIATION

## Factoring Policy

Adopted	April 2004	Last Reviewed	<del>December 2020</del> <u>April 2022</u>
Next Review Due	<del>October 2024</del> <u>April 2027</u>	Date Reviewed	

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## 1.0 AIMS

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The Association aims to provide a property management service to common areas and ground in all its mixed tenure property where it has ownership, positively promoting the benefits of good property management. OTHA is a Registered Property Factor Registration Number PF000264.

- 1.2 OTHA's operation of the factoring service reflects the Property Factors (Scotland) Act 2011 and the Code of Conduct referred to in Section 14 of the Act. This policy also takes into account the revised Code of Conduct produced by the Scottish Government which took effect from 16<sup>th</sup> August 2021.
- 1.3 The Property Management service will ensure the properties covered are insured and maintained in order to protect the Association's and other owners' investment in the property.
- 1.4 A Management Fee will be charged to cover the full costs of providing the management service. Other costs will be invoiced based on the actual costs relating to a property in proportion to the share for maintenance. The association will endeavour to keep the cost of providing factoring services to a minimum whilst still meeting the aims of the property management service.
- 1.5 The association aims to operate within either the terms of the deeds of conditions or within the mandate of specific contractual agreement where the deed of conditions is inadequate. When new deeds of conditions are drawn up, they shall give the Association sufficient control over the management of the property to ensure the effective management and maintenance of the building.
- 1.6 The Association will endeavour to consult and involve owners in the property management service in decisions, which affect them. Owners will be provided with accurate and relevant information to allow them to plan ahead and to make suitable arrangements to cover their financial liabilities.
- 1.7 The Association will carry out its property management functions with reference to its policies in relation to: -
  - ~~Planned, cyclical and reactive maintenance~~
  - Reactive maintenance for common areas
  - Planned and cyclical activities for common areas
  - Estate management
  - Sustainability
  - Financial Regulations
- 1.8 OTHA is committed to providing equal opportunities across all services and to avoiding discrimination. This policy is intended to assist OTHA to put this commitment into practice. Compliance with this policy should also ensure that employees do not commit unlawful acts of discrimination. This policy can be made available in other formats, for example in large print, audio format or Braille: the document may also be available in other languages, in full or summary form, as appropriate.

## 2.0 DEFINITIONS

- 2.1 Factoring - the provision of a property management service which ensures that properties in multiple ownership are insured, repaired and are managed in line with the Deeds of Conditions imposed on each owner.
- 2.2 Title Deeds – the legal documents which confer ownership of land.
- 2.3 Deeds of Conditions -a formal legal document (which may form part of the Title Deeds of a property) outlining the rights and responsibilities of the owner in relation to the common parts of the property. The deed defines the common parts, rights of access, provision for maintenance and share of repair costs to be met by each owner, voting rights, insurance, duties of the factor and provision for the resolution of disputes between owners. It applies to all owners of a property in succession.
- 2.4 Disposition – a sale by disposition can allow a seller to impose conditions on a buyer and these may apply to future buyers.
- 2.5 Law of Tenement - Where no deed of conditions exists the Law of Tenement applies, laying down rules based on case law. This will be laid out in statutory form when the Tenements (Scotland) Act 2004 is enacted.
- 2.6 ~~Factoring Agreement~~ Written Statement of Service (WSS)- This is a contractual document, which lays down the terms and conditions on which the Association factors property. It does not supersede the Deed of Conditions but supplements it, providing additional information on ~~the~~ the Association's policies and filling in the gaps in the deeds of conditions where agreement has been reached with individual owners.
- 2.7 Servitude – a type of title condition which gives a right of limited use – for example a right to run a water pipe across a piece of land.
- 2.8 Real Burden – these are conditions or burdens relating to land. They ~~be~~ can be negative (i.e. not to do something such as not to run a business in the property) or positive (i.e. to maintain a wall or share the cost of repairing the roof).
- 2.9 The Specified Limit – The specified limit is the amount over which we will seek to get agreement from the majority of owners within a property before carrying out the repair. This may take a longer time to organise. This will be reviewed from time to time after consultation with owners.

## 3.0 CATEGORIES OF PROPERTY

- 3.1 The Association is involved with the following categories of property service, which may be treated differently according to this policy.

**Factored Property Services** - This is where the Association has majority ownership in a tenemental property or has been appointed as the factor by the majority of owners.

**Common Estate Repair Service** - The association manages the landscaping and repair services for main door properties where there is common land or where the association retains ownership of land for which other owners have a repairing obligation.

**Shared Ownership Services** - The Association has previously sold properties ~~flats~~ under a shared ownership arrangement. When a sharing owner purchases their property outright, their property would then fall into the category of factored property.

#### 4.0 DELEGATION OF FACTORING RESPONSIBILITIES

4.1 The provision of the factoring service will be monitored as follows:

Housing & Technical Services Sub-committee

- ~~S~~ervice & policy review
- ~~R~~eview of factoring agreements
- ~~P~~erformance in relation to issuing bills for reactive and cyclical maintenance.

Finance, Staffing & General Purposes Sub-committee

- Setting management fee
- Reporting on performance in relation to debt recovery
- Monitoring insurance take-up
- Write off of bad debts
- Setting of targets and KPIs-

4.2 Staff Responsibilities

4.2.1 The Housing Services Section will be responsible for: -

- ~~General property inspections~~
- Taking meter readings for common landlord supplies where it is practical to do so and a smart meter is not installed and pass these to the Finance Section.
- ~~M~~aintaining stair cleaning rotas
- ~~D~~ealing with complaints against other residents in line with policies and procedures for estate management.

4.2.2 The Finance Section will be responsible for: -

- Accounting for repairs invoices, common charges, and maintaining financial records on expenditure
- Negotiating the common insurance policy premium, invoicing owners who agree to participate and pursuing owners who do not participate for proof of insurance
- Issuing of invoices and processing payments maintaining a financial record for each owner
- Making ~~supplier repairs~~-invoices available for inspection and dealing with any financial enquiries in relation to owners ~~invoices~~accounts
- Debt recovery action & write off of bad debts, in line with the financial regulations
- ~~Monitoring management costs to~~ inform input into the annual calculation of the management fee
- Updating suppliers with current meter readings where there is not a smart meter in place for the common landlord supply and responding to owner enquiries regarding these charges.

4.2.36 The ~~Development & Technical~~Maintenance Section will be responsible for

- Providing information to owners on the factoring service including ~~an owners' handbook our Written Statement of Services, service standards,~~ estimated common charges and a summary of the deeds of conditions.

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- ~~• Signing up owners to the factoring service at the handover of a new development which involves owners~~
- ~~• Drawing up new deeds of conditions for new developments in conjunction with the Association's Solicitor~~
- Ordering, inspection and approval of payment for common repairs and charges in line with the ~~Reactive and Planned Maintenance Policies~~Property Maintenance Policy.
- ~~• Liaising with owners in relation to cyclical maintenance contracts and common projects, arranging owners' consultation meetings and informing owners on their proportionate shares~~
- Maintenance of property records
- Preparation and submission of insurance claims
- Preparation of factors accounts and deal with enquiries relating to the content of invoices
- Making up draft invoices on a change of ownership
- ~~• Maintaining the approved list of contractors~~
- Arrange with suppliers to replace faulty meters for common landlord supplies where required.
- Provide finance a breakdown of common area recharges, ensuring these have been matched to the relevant contract and supplier invoices
- Ensure that all invoices authorised and passed to Finance have a work order number to allow Finance to allocate the cost to the relevant work order.

#### 4.2.4 The Development & Asset Management Section will be responsible for:

- Signing up owners to the factoring service at the handover of a new development which involves owners
- Drawing up new deeds of conditions for new developments in conjunction with the Association's Solicitor
- Liaising with owners in relation to cyclical maintenance contracts and common projects, arranging owners' consultation meetings and informing owners on their proportionate shares
- Provide Finance a breakdown of owner recharges, ensuring these have been matched to the relevant contract and supplier invoices

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## 5.0 FACTORING SERVICE PROVIDED

### 5.1 Factored properties

#### 5.1.1 Maintenance of common parts

This involves ordering day to day repairs to common parts, making insurance claims, carrying out regular planned and cyclical maintenance including environmental maintenance and maintaining the stair lighting system. The association aims to carry out a full inspection of the common parts on a ~~monthly~~quarterly basis.

The Association will use maintenance contractors ~~from the approved list who are procured in line with current procurement legislation~~. Their general performance and value for money will be monitored by ~~staff~~ the in the same way as for repairs to tenanted property and in line with the ~~Reactive and Planned Maintenance Policies~~Property Maintenance Policy.

If anticipated costs of any work is likely to exceed £1000 in total (the specified limit which may change from time to time as agreed following consultation) the works may only be instructed after a majority of owners have agreed except where they are

necessary on the grounds of Health and Safety or to avoid deterioration in the building. If any single item of work is likely to exceed £100 per household, the Association will try to notify owners in advance as a matter of courtesy, except where work is necessary on grounds of Health and Safety or to avoid deterioration in the building.

#### 5.1.2 Buildings insurance

The Association will keep a block insurance policy in force for all Association owned property. Property owners in a tenement flat are required to have a contract of insurance for the full reinstatement value of the property and any parts of a tenement building attached to the property. Household contents insurance is not provided by OTHA.

Other owners in the building will have the option of participating in the scheme or demonstrating on a yearly basis that they have adequate insurance cover. Insurance costs for participating owners will be invoiced separately in April of each year and will be paid in advance for the year ~~1st04 April to 31st March~~.

#### 5.1.3 Payment of common charges

The Association will ensure payment of the landlord's electricity supply accounts and stair lighting. Regular meter readings will be taken and passed to the electrical supplier for accurate billings to be produced.

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#### 5.1.4 Estate Management.

General property inspections to ensure residents comply with tenancy agreements and deeds of conditions will be carried out on ~~a quarterly-monthly basis~~. The association will deal with complaints from and against owners in line with policies and procedures for estate management.

#### 5.1.5 Liaison with Owners

The Association will liaise with owners in respect of repairs above the specified limits and other matters of general and specific interest in relation to the property management service. The Association will use an effective and cost effective method of communication, which may be by survey forms, public meetings or calling owners meetings for individual close closes. The Association may attend individual close meetings called by owners, on request.

#### 5.1.6 Charging

The Association will endeavour to issue factoring accounts to factored customers and sharing owners in March & September of each year in arrears for periods: January to June, and July to December respectively.

The management fee will be reviewed annually in line with the actual costs of administration of the property management service.

~~Supplier Maintenance~~ invoices will be available for viewing for 30 days after the issue of the factoring invoices in the Association's offices. ~~The Association will only accept queries relating to invoices for 30 days after their issue.~~

#### 5.1.7 Complaints

Customers may make a complaint about the factoring service under the Complaints Handling Procedure for a range of matters including if they feel there has been:

- A failure to comply with the Association's policy or procedures
- A failure to carry out duties in a satisfactory manner.

Where an owner is dissatisfied with the outcome of their complaint, they will have recourse to the:

Housing and Property Chamber  
First Tier Tribunal for Scotland  
~~4<sup>th</sup> Floor~~  
~~1 Atlantic Quay~~  
~~45 Robertson Street~~  
~~Glasgow G2 8JB~~  
Glasgow Tribunals Centre  
20 York Street  
Glasgow  
G2 8GT

Telephone: 0141 302 5900  
Fax: ~~0141 302 5904~~

Website address – [www.housingandpropertychamber.scot](http://www.housingandpropertychamber.scot)

## 5.2 Estate Common Repair Service

### 5.2.1 Environmental maintenance & common areas

The Association will maintain amenity landscaping and common areas in line with the deed of conditions for each historical feuing area, with the level of service subject to review in consultation with owners. Where arrears are excessive, the Association may, following consultation, refuse service or reduce the level of service to a minimum level to comply with safety requirements.

The costs are recharged to all owners in the historical feu on the basis of the shares for maintenance laid down in the deed of conditions or as specified in the disposition where relevant. One off costs in relation to amenity land or common areas will be charged on the same basis. Where one off costs exceed £1,000 (or other specified limit which may from time to time be agreed), the owners in the relevant historical feuing area will be consulted in advance regarding the works except where overriding issues of health and safety exist.

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### 5.2.2 Insurance

OTHA has and will maintain adequate professional indemnity insurance for the operation of its factoring service.

Factored owners (Estate common repair customers) may choose to participate in the Association's buildings insurance policy on a voluntary basis. Landscaped only customers are not offered our insurance cover.

Insurance costs for factored owners will be invoiced separately in April of each year and will be paid in advance for the year. The Association reserves the right to withdraw the option of participation in the Association's insurance policy where the owner has arrears of factoring or other charges.

### 5.2.3 Administration fee

A fee of £3.00 or 15% of the common charges (whichever is higher) will be levied to pay for the administration of the environmental maintenance and scheme repairs.

### 5.3 Sharing Owners

Sharing owners in tenemental accommodation subject to the factoring service will be provided with the same services as for a factored owner within the property. The sharing owners will pay the costs of buildings insurance, environmental maintenance and landlord's electricity supply as a service charge within their occupancy charge. The occupancy charge also covers the cost of managing the property, so no management fee is charged. They will be invoiced separately for the common repairs costs in the same charging cycle as for the factored property. The relationship with the sharing owner is governed by the Occupancy Agreement.

## 6.0 GENERAL CONDITIONS

6.1 Where a change of ownership takes place, the Association will liaise with the outgoing owner's solicitor to provide a final account within a reasonable timescale. Solicitors are required to give a minimum of 4 week's notice of a forthcoming sale to allow the calculation of the outgoing owner's common charges. Charges will be apportioned according to the date of entry. No fee is charged for processing changes of ownership.

6.2 The Association may be required to give consent to certain alterations under the title conditions of a property. Consent will not be unreasonably withheld in the light of the effect on other residents and the Association's adjacent property. No fee is charged for processing such applications.

6.3 The Association will allow 28 days for payment of invoices after which debt recovery procedures will apply. The Association will allow owners who make a specific arrangement, to pay invoices over an agreed period. The period will be set according to the circumstances of the case including the amount of the debt and any future liability.

6.4 No debts will be written off without Committee's approval unless below the limits specified in the Financial Regulations.

## 7.0 CONSULTATION WITH OWNERS

7.1 The Association will inform and consult owners regarding any changes in the service provided, the level of the management fee, the cyclical & planned maintenance programme and any significant issues relating to the maintenance or management of the property.

7.2 Where disagreement exists over proposed work, each owner will have a vote, in line with the voting rights in the deed of conditions or factoring agreement as relevant.

## 8.0 NON-FACTORED PROPERTY

8.1 The Association will avoid incurring costs where it has no factoring appointment except where it is in the interest of health and safety of its tenants and it is necessary for OTHA



to carry out works in the absence of a ~~F~~factor. The Association will attempt to secure the appointment as factor, in closes where it has minority ownership.

The ~~A~~association will withdraw from providing a factoring service where the majority of owners indicate they wish to appoint an alternative factor.

## 9.0 MONITORING & REPORTING

9.1 The Finance Manager shall report ~~six monthly~~quarterly to the Finance, Staffing & General Purposes Sub-committee as follows:

### Factored customers

- % Invoices ~~paid issued~~ within 3 months of ~~invoices being issued~~period end
- Number of invoices issued ~~since prior reporting period~~
- ~~Value~~Amount of invoices issued ~~since prior reporting period~~
- Current arrears, historical and current, & performance against targets
- % Uptake in block insurance policy
- ~~% Proof of insurance provided from remaining customers~~

### Landscaping Customers

- % Invoices ~~paid issued~~ within ~~3 months of invoices being issued~~2 months of period end
- Number of invoices issued ~~for the year~~
- ~~Value~~Amount of invoices issued ~~for the year~~
- ~~Arrears at period beginning/end~~
- Current arrears ~~value and %, and comparative arrears figures~~

Annual reports will also provide an update on the current position as regards the factoring service including the setting of the management fee. Benchmarking information and the setting of targets for all areas of performance.

## 10. REVIEW

10.1 OTHA will review this policy regularly and it will be monitored to judge its effectiveness. It will be updated in accordance with changes in the law. A full review will be required every five years to ensure the policy complies with good practice and is kept up to date.