



Housing Corporation Circular

Number: 05/02-Regulation	Date First Issued: 08/04/2002
	Date Revised: November 2002

*Note: 'Housing association' is used as a generic term for registered social landlords.
'Corporation' means Housing Corporation.*

Title: Leasehold Schemes for the Elderly – Management Charge Limits 2002/2003

Summary: Advises registered social landlords (RSLs) of management charge limits in Leasehold Schemes for the Elderly (LSEs) for 2002/2003

This Circular Is For The Attention Of:

(tick to indicate which)

- ✓ Registered Social Landlords; more than 250 properties
- ✓ Registered Social Landlords; less than 250 properties
- Co-ownership Societies
- Co-ownership Equity Sharing Societies
- ✓ Almshouse Charities
- ✓ Abbeyfield Societies
- ✓ Co-operatives
- Local Authorities
- Registered Social Landlords' Auditors
- Registered Social Landlords' Solicitors

Relevant Legislation:

Leasehold Reform, Housing and Urban Development Act 1993, Section 87

Regulation and/or Policy Requirements:

- Association of Retirement Housing Managers (ARHM) Code of Practice on Retirement Sheltered Housing
- Government Housing Policy Statement - Quality and Choice: A decent home for all – The way forward for housing

This circular replaces circular number:

R2-12/01

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1 Definitions

LSE = Leasehold Scheme for the Elderly

2 Corporation Expectations and/or Policy

Following consultation in July 2000, the Government decided to retain regulation of management charges for existing leases for LSEs. This circular announces the management charge limits for 2002/2003 and sets out our expectations where leases are not subject to these limits.

Existing Leases

The Government has decided that, from April 2002 onwards, increases in management charges will be limited to RPI + 0.5%. The effect of this is to bring increases to these charges into line with Government policy on rent setting in the social housing sector, set out in the housing policy statement Quality and Choice: A decent home for all – The way forward for housing, published in December 2000.

For 2002/2003 the basic limit will be £268. This is based on the September 2001 RPI figure of 1.7%, plus 0.5%. The limit enhanced for VAT will be £302. This is the basic limit multiplied by the VAT factor of 12.57% applicable to these schemes. This factor is used because, where applicable, VAT is charged on the salary element, not the whole of the management charge.

These limits are a limit per unit. They are set on a flat-rate basis and do not take account of different property sizes or types of scheme. Where these limits apply, no individual leaseholder should pay more than the limit for those management charges which are covered by the limit.

Definition of Management Charges

The Housing Corporation expects that, when setting management charges, RSLs will have regard to the definitions in the Association of Retirement Housing Managers (ARHM) Code of Practice on Retirement Sheltered Housing. The Code of Practice has been approved by the Secretaries of State for Transport, Local Government and the Regions, and for Wales under Section 87 of the Leasehold Reform, Housing and Urban Development Act 1993.

The Corporation's view is that compliance with the ARHM Code is a matter of good practice for RSLs owning or managing LSE stock.

New Leases

New schemes being sold for the first time after April 2001 are not subject to the requirement of a management fee set within a limit published by the Corporation.

RSLs are advised to include in the lease a landlord covenant that the duties included in the management fee will be listed and those which are charged for separately will be itemised and priced, as required by the ARHM Code of Practice.

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RSLs should ensure that for new developments, the Corporation's standard form of lease is amended and the reference to "the management charge, as published by the ODPM and the Corporation from time to time" is deleted.

The Regulatory Code says that RSLs must aim to deliver value for money in their services. The Corporation's view is that to demonstrate this, management charges that are not subject to a published limit should rise only by reasonable amounts each year.

Service Charges

Service charges for LSE schemes are excluded from the Corporation's rent influencing regime. This is in line with the Government's approach to service charges on other forms of low cost home ownership and shared ownership. Again, our view is that to demonstrate value for money in the provision of services, RSLs should ensure that service charges rise only by reasonable amounts each year.

3 Assessing Compliance

Compliance with this circular will be assessed through the process of Regulation and Inspection.

4 Enquiries about this circular should be directed to:

The Corporation's local Regulation team.