SHA Factoring Policy

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1. INTRODUCTION

1.1 Southside Housing Association (SHA) is a registered social landlord whose Factoring department provides a comprehensive property management service to approximately 775 owners both residential and commercial in the South Side of Glasgow. Southside Housing Association Factoring is a registered property factor. Property Factor Registration No PF001051.

1.2 Southside Housing Association is bound by the Property Factors (Scotland) Act 2011 and the Code of Conduct for Property Factors. It is a requirement of the code that property factors have a written procedure for debt recovery. This policy has been developed in line with Section 4 of the Code of Conduct and sets out Southside Housing Association's approach to the recovery of factoring debt.

2 OUR VISION AND VALUES

2.1 Our vision is **impacting and improving people's lives in a positive way**.

2.2 Our Values represent the ethics and principles that our people value most and which reflect us as an organisation. At Southside Housing Association (SHA) we want to live our values and incorporate them into everything we do. Our values are:

Respect We will put people first, prioritise relationships, be kind and helpful and treat others as we would want to be treated

Integrity We will conduct ourselves with honesty and transparency

Positive We will focus on positive outcomes and be solution focused

Responsible We will be dependable, professional, reliable and consistent

3 POLICY PURPOSE, AIMS & OBJECTIVES

3.1 Southside Housing Association's Factoring Department aims to provide an affordable, quality property management service to properties on the southside of Glasgow. We recognise that people's homes are often their biggest asset and the upkeep and maintenance of the common parts are key. All SHA's contractors have a proven track record, deliver high quality work, are fully insured and comply with all current legislation.

3.2 This policy seeks to give clear guidance on the support and guidance SHA's factoring service can provide to owners. The services it has available to offer owners and the processes and procedures to be followed in the appropriate circumstances.

4 LEGAL AND REGULATORY REQUIREMENTS

4.1 SHA Factoring will deliver repairs and factoring services in accordance with "Performance Standards for Social Landlords" and with all applicable statutory and common law obligations.

4.2 Performance Standards for social landlords providing factoring services oblige the Association:

- Provide a fair, efficient and effective factoring service for other property owners.
- Manage factoring funds on behalf of owners in proper and accountable manner.

4.3 The Standards also require SHA Factoring to address a set of “guiding standards” in its services.

For example:

- Formal policies and procedures should be in place to guide service delivery.
- Equal opportunities and customer participation should be promoted in providing services.
- Service users should be involved, informed, and consulted about the SHA Factoring services.

4.4 SHA Factoring has a range of statutory, common law and contractual obligations. The most important of these obligations are summarised below.

- Housing (Scotland Act) 2004
- Tenements (Scotland) Act 2004
- Title Conditions (Scotland) Act 2003
- Property Factors (Scotland) Act 2011 – Property Factors Code of Conduct

4.5 Other statutory obligations which are relevant to the provision of the factoring service include the following:

- **The Construction, Design and Management Regulations 1994**. The CDM Regulations require the Association and SHA Factoring to meet prescribed health and safety requirements for some types of repairs and maintenance work.

- **The Control of Asbestos at Work Regulations 2002**. The Regulations require the Association and SHA Factoring to determine the presence of asbestos in its housing stock and other premises, and to develop detailed policy and procedures for the management of asbestos.

- **The Occupiers Liability (Scotland) Act 1960.** The Act imposes a liability on landlords to take reasonable care to avoid any risk arising from the state of the premises to the health and safety of all persons entering the premises.

- **Anti-discrimination legislation,** including the specific legislation described in Section 4 of the Policy (Service Standard 1) relating to race, gender and disability, applies to all of the services we provide, including repairs and maintenance.

5 RISK MANAGEMENT

5.1 In developing this policy SHA Factoring has given due consideration to the following risk areas.

5.2 Financial:

The results of failure to manage the factoring service efficiently and control costs would lead to:

- Increased costs through management failures
- Increased accounts written off
- increased legal costs

5.3 Reputation:

The Association's and SHA Factoring's reputation may be damaged by the failure to deliver an effective and value for money service to customers.

6 ACCOUNT MANAGEMENT

6.1 SHA Factoring will ensure all sums owed to the Association in respect of the factoring service are recovered from property owners. We will adopt a firm and consistent arrears management approach to those whose accounts are in arrears and manage operating costs within budget.

6.2 Factoring Accounts will be issued as follows:

- Charges for 1st January to 31st March will be invoiced in April
  Charges for 1st April to 30th June will be invoiced in July
  Charges for 1st July to 30th September will be invoiced in October
  Charges for 1st October to 31st December will be invoiced in January
- The invoices will be issued either by post or by email depending on the customer's preference. Any outstanding balance must be paid 14 days from the date of invoice.
- Original contractors' invoices shall be available for inspection via our customer portal.
- All standard charges (management fee, buildings insurance, grounds maintenance and close cleaning) will be charged quarterly.

6.3 To help manage costs for customers, we offer a paperless discount to those who choose to receive invoices and correspondence electronically. Customers opting for paperless communication will see the overall reduction of 4% on their management fee, subject to annual review.

7 FEES

7.1 Additional charges will be incurred for the following:

- Administration in connection with changes of ownership
- Providing printed copies of historic factoring invoices

7.2 Management fees will be reviewed on an annual basis as part of the budget setting process considering SHA Factoring's overheads and the market. An annual comparison exercise of local social landlords and private sector factors will allow us to ensure our pricing is competitive.

7.3 Administration Fees will be applied as follows:

- An administration fee will apply when we instruct our solicitors to send a 1st and 2nd reminder in respect of costs of recovery
- Interest will be applied as per property title or where the title is silent and does not indicate the level of interest to be applied interest will be charged in accordance with our policy. Interest will be applied to all accounts two quarters in arrears or at legal action process which ever is soonest.
- Interest charges will be at Bank of England base rate + 4% subject to annual review.

8 PAYMENTS

8.1 Payments may be made over the phone, by bank transfer, internet banking, via the SHA Factoring mobile app, client portal or by cheque, standing order or cash, in exceptional circumstances.

8.2 Customers making payment by monthly standing order should clear any balance on their account within 14 days following the issue of the quarterly invoice. If a customer wishes to pay arrears by payment arrangement, a plan can be agreed to clear the balance in no more than 12 monthly installments, with future quarterly invoices settled in full. In extenuating circumstances, 24 months may be accepted for a payment plan.

9 PAYMENTS FOR HIGH-COST REPAIRS

9.1 Where a customer wishes to make payment in respect of larger repairs over an extended period, policy will be as follows:

- Owners will sign an agreement with SHA Factoring in respect of the arrangement to pay.
- Owners will be required to set up separate standing orders in respect of payments prior to works commencing.
- SHA Factoring requires payment of costs within a maximum period of twenty-four months.
- Advance payments in respect of works which do not proceed will be refunded.
- A Notice of Potential Liability for costs will be put onto the property where it is considered appropriate to do so, considering the risk to the Association and SHA Factoring.

10 ARREARS MANAGEMENT

10.1 Early contact is essential if an owner's factoring account falls into arrears and every attempt will be made to establish personal contact by visit, letter, telephone or email.

10.2 Arrangements for payment by instalment will be made where appropriate. The arrangement should ensure that the accounts are cleared by the end of period taking circumstances into account. Customers will be advised that subsequent accounts do not form part of the arrangement and are due and payable on receipt

10.3 Final reminders are followed by a solicitor's letter, which carries a set one-off administration cost. The level will be reviewed on an annual basis.

10.4 If a customer defaults on an arrangement, the arrears process will resume at the appropriate stage

10.5 It is recognised that, on occasion, customers may experience financial difficulties that affect their ability to pay. SHA factoring encourages customers to contact us as soon as possible to prevent escalation of arrears. We will provide support, look to make a reasonable arrangement and offer practical advice by signposting to agencies who may be able to assist.

10.6 Accounts may be referred to a debt collection agency or our solicitors where all attempts to achieve payment or come to an arrangement have failed. An administration fee will be charged in respect of additional costs of administration and recovery agents' costs. This charge is reviewed on an annual basis.

10.7 We reserve the right to charge interest to accounts outstanding for more than four months or where the matter has been referred to a debt collection agency or solicitor.

10.8 A Notice of Potential Liability for Costs will be lodged against a property where works have been carried out and there are arrears or a lack of customer engagement or a risk of non-payment. A notice will also be lodged where works are proposed at a property where there are high levels of existing arrears and SHA Factoring has agreed that these should proceed. A notice may also be lodged where arrears are in excess of £500 or where there are significant costs relating to proposed works or where there are difficulties contacting an owner.

11 LEGAL ACTION

11.1 All legal action must be authorised by the Customer Service Manager and Director of Finance and Corporate Services. Legal costs will be charged to the account where possible.

11.2 Decrees obtained through recovery action may be enforced by any of the following:

- Wage arrestment
- Bank account arrestment
- Inhibition on sale of property
- Intercepting payments due by a third party e.g. rent
- Notice of Potential Liability for Costs
- Sequestration

11.3 Where an owner is declared bankrupt the debt will be pursued in accordance with legal procedures. Accounts will be written off on receipt of legal confirmation of bankruptcy if there are no free funds.

12 BAD DEBT

12.1 Every reasonable effort will be made to recover outstanding sums. Debts will be written off where:

- there is no means of recovery
- it is not cost effective to pursue the debt further disputed accounts

12.2 Every attempt will be made to resolve disputed accounts within one calendar month. If this is not possible, we will inform the customer of the steps we intend to take to resolve this dispute and the timescale.

12.3 Where a dispute remains unresolved the customer will be provided with information in respect of SHA Factoring Complaints Procedure.

12.4 The Customer Service Manager should be advised at the outset of disputes in relation to services or repairs in order that the dispute can be logged on to the system and arrears procedure suspended. The customer should be requested to pay the balance of the account excluding the disputed amount.

13 COMMON REPAIRS UNDER DELEGATED AUTHORITY

13.1 Reactive common repairs will be undertaken in compliance with SHA Factoring's Written Statement of Service.

14.2 By appointment, SHA has the delegated authority of owners to instruct and carry out repairs and maintenance to the common parts for any works up to and including £1,500 (inclusive of VAT) per repair. For the avoidance of doubt, consent will not be sought unless the total cost of work is anticipated to be over delegated authority.

14 COMMON REPAIRS OVER DELEGATED AUTHORITY

14.1 Reactive common repairs will be undertaken in compliance with SHA Factoring's Written Statement of Service. One quote will be obtained for owners' consideration.

14.2 Owners' consent will be sought prior to instruction of works where the total costs of the works are more than £1,500 and under £10,000 inclusive of VAT.

- Owners will be given the opportunity to vote in favour or against the works.
  - Works will not be instructed unless a majority of owners agree and all owners deposit their share of repairs, unless work is deemed essential, e.g., for emergency make safe works or health and safety reasons.

14.3 Cyclical and planned maintenance will be undertaken in compliance with SHA Factoring's duty to maintain the common elements of the customers' building in compliance with SHA Factoring's Written Statement of Service.

. SHA will carry out regular procurement exercises to provide the most economical and cost-effective service, for essential services such as;

- Annual/ bi-annual gutter cleaning
- Smoke detection systems/ alarm panels
- Lighting conductor
- Asbestos

- Dry risers
- EICRs
- Emergency lighting
- Fall Arrest systems
- Gas Servicing
- Legionella
- Lift Maintenance
- Pump testing
- Smoke vents

14.4 Owners will be advised of all common repairs being undertaken where the total costs of the works are more than £1,500 inclusive of VAT.

- Owners will be given the opportunity to vote in favour or against the works.
- Works will not be instructed unless all owners agree and deposit their share of repairs, unless work is deemed essential, for example, emergency make safe works or health and safety reasons.

15 MAJOR REPAIRS

15.1 Major Repairs are defined as any work with a total cost of excess of £10,000. These will be undertaken in compliance with the Factoring Written Statement of Service. Two comparable quotes will be obtained for owners' consideration

15.2 Owners will be consulted, and consent will be sought prior to the instruction of works:

- Owners will be invited to attend an owners' meeting or sign a mandate
- Works will not be instructed unless a majority of owners have voted to go ahead with the work and all owners have deposited their share of the repairs.

15.4 Project management fees will apply to all repair projects where the tendered or estimated costs are over £10,000. A fee of up to 10% of the overall cost may be applied, subject to annual review

16 SERVICES

16.1 Individual owners' agreement will be sought for initial instruction or on the requirement to change services such as backcourt maintenance and close cleaning services.

16.2 Owners will be given the opportunity to vote in favour or against the service.

16.3 Services will not be instructed unless a majority of the owners have agreed

16.4 Commercial owners' payment in respect of close cleaning and grounds maintenance costs will be implemented as per the title deeds.

16.5 Costs in respect of services will be charged as per the apportionments included within the title deeds.

17. OWNERS ALTERATIONS

17.1 Permission for owners' alterations will be carried out in compliance with the title deeds, with reference to the following:

a SHA Factoring will not be responsible for inspecting any completed installation for compliance. The owner will be responsible for any damage to the common property caused during the installation, maintenance or removal of any private equipment. SHA Factoring reserves the right to ensure any defective or substandard workmanship is made good and will hold the owners liable for costs incurred because of any works arising either directly or indirectly from the above.

b The owner should ensure that they have adequate insurance cover, as SHA Factoring will not accept responsibility for damage to, or loss of equipment, for whatever reason. The owner will also be responsible for storm damage or injury to the public caused by his/her equipment.

c Any installation must meet the requirements below:

- The requirements of Glasgow City Council (Planning and Building Control or relevant department) are met, and
- The equipment is fitted to the SHA Factoring and/ or the Association's standards.
- The owner will be responsible for arranging erection, maintenance and removal of their equipment and all associated costs

18. INSURANCE

18.1 A record of all factored properties included on the Association's block policy will be maintained on the SHA Factoring and the Association's IT system.

18.2 A record of all properties not included within the Association's block policy will be maintained on the SHA Factoring and the Association's system.

Information held will include:

- The sum insured
- Policy renewal date
- The Association will request up to date summaries of cover from all owners whose properties are not included on the block policy. Any owner who fails to produce proof of cover will be included on the block policy and charged premium costs until such time as documents are produced. Owners will only be able to arrange their own insurance where this is permitted in the title to the property.

18.3 Insurance premiums will be pro-rated between old and new owners on the date of any property sale.

18.4 Any new factoring business will be added to SHA's block policy to ensure adequate cover is in place and all premiums recharged via the factoring invoice.

18.5 Owners will be invoiced for insurance costs on an annual basis.

18.6 All common repairs which occur because of an uninsured peril will be carried out in accordance with SHA's Repairs and Maintenance Policy.

18.8 Invoices in respect of common insurance repairs will be invoiced to owners in the normal manner subject to deduction of policy excess.

18.9 To ensure full recovery of insurance excesses, the insurer will remove the excess from payments due to contractors before paying the owner directly or alternatively for communal claims, the excess will be added to owners' accounts.

18.10 Owners reporting internal damage to their property as a result of an insurable peril will be issued with a claims pack to allow them to deal directly with the insurers on all aspects of their claim including the arrangement of works and contractors.

18.11 SHA Factoring may undertake works on behalf of an owner if there is a necessity to prevent on-going damage to other properties or if there are essential reasons for doing so. Any such works would be progressed on the following basis:

- Agreement has been reached with the insurer that a loss has occurred in terms of the insurance policy and the extent of works to be undertaken.
- A signed mandate/claims form has been obtained from the owner agreeing to the specification of works to be undertaken and acknowledging responsibility for payment of the excess.
- A project management fee will be charged in respect of providing this service. (Appendix 1)
- Where an owner is in arrears no works will be carried out under insurance unless premiums are paid up to date.

19 PROPERTY SALES/TRANSFER OF OWNERSHIP

19.1 A change of owner administration fee will be charged in respect of owners' sales. A charge will also be made to commercial owners requesting apportionment of accounts at change of leaseholder.

19.2 Information will be sent to sellers/buyers' solicitors on request.

19.3 An additional fee for the provision of documents and information at short notice will Be charged where requests for information or documentation are made less than five days from the completion date of a sale.

19.4 At the completion date an interim invoice will be issued in respect of accounts to the date of sale. A retention of £100 will be added to the interim invoice. This will be refunded to the owner less any deductions for charges when we reconcile the account. The estimated account will be followed by the final account when all outstanding contractors' invoices are available, this may take up to 6 months (two quarters). If on completion of the sale there are surplus funds these will be returned to the owners' solicitor for refund to their client once it has been established that there are no repairs instructed but not yet completed in the system.

19.5 Checks should be made concerning any NOPLC that may be in place and retention requested in this respect. On receipt of all sums due a Letter of Satisfaction will be issued to the buyer's solicitor.

20 NEW BUSINESS

20.1 SHA Factoring will respond to requests from owners to provide factoring services in accordance with the factoring policy, where following criteria is met:

- An appraisal of the property has been undertaken either by a suitably qualified staff member or an appropriate professional.
- The property is located in close proximity to a property where the SHA Factoring/ the Association has an interest.
- Where the Association has no ownership in the close, we will only look at properties with a strong fit with our strategic priorities. A different management fee structure may apply to closes in which the Association has no ownership.

20.2 As part of due diligence SHA Factoring will request to undertake a general condition survey prior to taking forward any request for service.

20.3 An analysis will be made of the survey to determine whether the service will be offered and the level of repairs which may be required.

20.4 Owners will be contacted in the first instance and advised that there has been a request to SHA Factoring to provide its service as Factor. The owners will be provided with a copy of the SHA Factoring's Service Guide, factoring cost information and asked to return a mandate or /or attend a meeting to vote on whether they wish to appoint SHA Factoring as factor. Should it be identified via the pre-factoring survey that significant repairs are required a condition of us factoring the property will be that owners agree to us carrying out the works within an agreed timescale and funds will be available by owners.

20.5 Owners will be sent a proxy voting sheet in case they cannot attend.

20.6 Factoring services will be provided on the basis of a majority decision in compliance with title conditions. Any new closes will have common block buildings insurance as standard with the offer of close cleaning and grounds maintenance services.

20.7 If a meeting is inquorate SHA Factoring will decide on whether to pursue the factoring based on ownership at the close and location. If appropriate a postal vote will be taken or a further meeting called.

20.8 Owners will be sent copies of the minutes of the meetings and if successful the Written Statement of Services.

20.9 If there is an existing factor they will be given the required notice as per the property title and supplied with copies of the signed factoring authorities.

System Set Up

20.10 The Factoring Team will set up new properties on our customer management system.

20.11 The Factoring Team will input owners' information and apportionments. Any service charge codes will be added by the Finance and IT Teams.

Insurance

20.12 Owners' properties will be included on the Association's block policy from the agreed date at which service will commence. Owners who have current insurance which cannot be cancelled will be required to produce a copy of their alternative cover and the property will then be included on the Association's block policy at the renewal date.

Common Repairs

20.13 Works orders will be raised for any minor repairs required as a result of the condition survey or issues raised by owners at the owners meeting.

Cyclical & Planned Maintenance

20.14 Where possible works are identified as a result of the condition survey these may be slotted into cyclical and planned maintenance programmes.

Voluntary Tenement Repairs Scheme (VTRS)

20.15 If significant works are identified following a condition survey a risk analysis will be undertaken to determine whether the Association will, in the first instance, offer a service.

20.16 If SHA Factoring agrees that a service is to be provided SHA Factoring will support the owners using the following criteria:

- SHA Factoring will identify the possibility of grant funding for major works.
- SHA will appoint the appropriate professionals, on behalf of owners, to ensure a full fabric survey, tender analysis and schedule of works is completed
- SHA Factoring will charge a project management fee in accordance with factoring policy.
- Owners may be asked to sign a Minute of Agreement confirming their ability to pay their share in advance of any works being instructed.
- SHA Factoring will liaise with GCC and the appointed professionals until completion of the VTRS and reconcile final accounts

Services

20.17 Prices will be obtained for services such as back-court maintenance and close cleaning. Owners will be sent mandates in respect of these services which will be implemented on the basis of a majority agreement.

20.18 Service schedule will be updated accordingly.

21 WITHDRAWAL OF FACTORING SERVICE

21.1 SHA Factoring may withdraw its factoring service at a property if it considers that the financial risk of maintaining the service is too great or there are management issues which it is unable to resolve. Owners at the property will be issued with 3 months' written notice that the service is being terminated. Owners will be issued with final factors accounts at the end of the notice period. Any owner who has a surplus in their account will be issued with a refund once we have reconciled the accounts for the period in which we ceased factoring the property.

22 CANCELLATION OF SERVICE

22.1 In accordance with SHA Factoring's Written Statement of Services owners can terminate the service by calling a meeting in accordance with the title deeds of the property. A copy of mandates signed by each owner should be provided to SHA Factoring with three months' notice also in accordance with the title. SHA Factoring will provide the owners with any financial information they require at this time. SHA Factoring will, from the date received, provide only a wind and watertight, emergency reactive repairs service. At the end of the three-month period SHA Factoring will apportion accounts and provide each owner with a final account for payment and refund any credits due after we have reconciled the accounts for the quarter in which the termination took place.

Appendix 1

Administration Costs and Interest Charges

1. Owners Sales

- £100 for additional administration relating to changes of ownership and leaseholder.
- £125 for express service for information requested less than five working days prior to date of sale.
- A maximum of £50 for copies of Local Authority Certificates, Building Warrants etc.
- £175 when the seller's solicitor wishes us to discharge a NOPLC
- £100 where the seller's solicitor will discharge the NOPLC themselves.
- £100 retention where the selling owner has no deposit.

2. Administration Fees

Owners will be charged £20 plus VAT for each legal reminder letter.

Interest charges will be at Bank of England base rate + 4% except where stated otherwise in the title to the property.

3. Arrangements to Pay Major Works

Administration fees will be charged at the Bank of England base rate + 4%

4. Project Management Fees % of works (not including prof fees)

- Voluntary Tenement Repairs Scheme up to 10%
- Repairs in excess of £10k up to 10%

5. Miscellaneous Fees

- As agreed with external surveying company
- Paper copy invoices £10 per set of 4 invoices (one year)

6. Paperless Billing

- Reduction of 4% on the management fee, subject to annual review