



Policy on :	Factoring Policy
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Compliant with Performance Standard :	As 5.2 fair, efficient and Effective factors, managing funds in a proper and accountable manner
Compliant with Tenant Participation Strategy :	Complies with Tenant Participation strategy
Compliant with Equal Opportunities :	Mainstream clause inserted
Compliant with Internal Management Plan :	Policy review required as part of Property Services action plan.

Date for Approval :	31st January, 2007
Date for Review :	January 2011

Responsible Officer :	Property Manager, Dougie McIntyre
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1. Introduction

This policy sets out the principals behind which Barrhead Housing Association will operate its factoring service.

The Factoring service will provide a wide range of professional services to owners living in shared occupancy buildings or estates.

The underlying aims of providing the service will be to provide a safe, high quality living environment for all occupiers and visitors. Ensuring that the fabric of building and common areas are maintained to a high standard.

The factoring service is located within the Property Management Department and is managed by the Property Manager and the Clerical Assistant - factoring.

2. Legislative Background

Factoring services are governed by a wide range of legislation, however in most cases the title conditions will set out the way in which the management of the common areas will be carried out.

In some cases where the title conditions do not set out a method of managing the common areas the occupants can agree to a factor being appointed. The Association will offer its services in these situations.

Where a unanimous decision cannot be reached with owners to participate in a factoring scheme the Association will consider enforcing a tenement management scheme under the terms of The Tenements (Scotland) Act 2004.

The Association will operate its Factoring service in accordance with good practice and Communities Scotland guidance.

3. Policy Objectives

- To manage factored properties and estates efficiently and effectively
- To ensure that debts and operating costs are pursued fairly in accordance with agreements.
- To monitor and report performance of the factoring service quarterly.
- To ensure an effective dialogue with owners is maintained.

4. Factoring Services

The Association aims to provide a comprehensive factoring service. The following services will be offered.

4.1 Building Insurance

Owners have a duty to insure the property they live in and its common parts for the full replacement and rebuilding costs associated with any fire or other event. Owners will be able to take advantage of the Association's buildings insurance policy. Owners who do not wish to join the Association's building insurance policy must insure their property in accordance with the Tenements (Scotland) Act 2004 (prescribed risks) order 2007. They must also provide proof of having purchased insurance cover annually.

4.2 Response Repairs

The Association aims to provide a prompt and efficient response repairs service. The main benefit of participating in the factoring service is that common repairs can be ordered and carried out promptly without the need to get prior agreement between residents. These repairs will be managed in line with the Association's current repairs policies. Repairs for which the owner's share of repairs does not exceed £250 will be carried out without consulting the owner, otherwise consultation will take place.

4.3 Cyclical & Planned Repairs

Planning ahead is a key part of the factoring service, regular preventative maintenance will prove worthwhile over the longer term and ensure that the properties do not fall into disrepair, remaining a safe and attractive place to live. Where works are planned we will notify owners prior to works being carried out. Consultation with proprietors will always be initiated when the individual cost per proprietor exceeds £ 250.

4.4 Individual Works to Private Houses

Where requested, the Association will provide verbal advice and guidance to owners in situations where non-communal repairs are involved. In particular the Association will make available its approved contractors list to owners.

Where the owner is elderly or vulnerable the Association may arrange non-communal repairs at the request of proprietors. Owners would be fully responsible for any bills that result. The Association will normally require a 50% payment towards the cost of these works to be paid for in advance and for the owner to have no factoring arrears.

The Association will offer through its contractors the facility to have annual servicing and repairs carried out for gas heating systems. This would be charged at cost and would be payable quarterly in advance.

4.5 Property Inspections

Maintenance staff will inspect properties on a regular basis as part of their day to day activities. The Association will also carry out one formal detailed close inspection every year. The results of this inspection and a note of any forthcoming maintenance will be provided annually.

4.6 Maintaining Common Areas

The Association will offer the following services at a cost to factored owners:

- Grass cutting
- De-littering
- Backcourt maintenance
- Close cleaning
- Window cleaning

Where the majority of factored owners are in favour of the arrangement then the close will be added to the contract. The additional costs will be added to the factoring account quarterly. Where the Association considers that the level of cleanliness or maintenance is below an acceptable standard due to non participation it will arrange one off cleaning which will be recharged and treated as a common repair.

4.7 Savings Fund

The Association may offer a service that includes a requirement to pay an up front charge into a repairs fund. This will minimise any unforeseen bills for factored owners.

Where the Association foresees a large item of expenditure it may agree with owners to set up and administer a fund to save towards the cost of the major repair or improvement.

4.8 Disputes

Where there is a complaint about the management of the factoring service this will be dealt with through the Associations complaints policy.

Where a dispute arises over the maintenance or improvement of the property the Association will refer the decision to an independent surveyor who shall decide on the most appropriate course of action. This will only happen where the costs of the maintenance/improvement works exceed £5000. Where the costs are anticipated to be below £5000 the factors decision will be final. The costs of the independent surveyor will be met by the factored owners. The decisions made will be binding on the factored owners within the building.

5. The Factoring Service Costs

The Association will offer a range of factoring services, from the full maintaining and inspection service to the common area management service. The costs associated with providing these services will be reviewed annually as part of the Association's budget setting process. The Association aims for the factoring service to be self financing.

5.1 Full Maintenance & Inspection Service

- The annual inspection
- Pre and post inspections of repairs in accordance with the Quality Assurance Policy
- Tendering and contract preparation for responsive and cyclical repairs
- Selection of contractors and liaising with contractors
- Account administration and debt collection
- Service user consultation
- Copies of our newsletter
- Copy of our annual report
- Administration of insurance claims
- Management of asbestos

The charge for this service in 2007/2008 is £102.70 +VAT.

5.2 Common Area Management Service

This service will be offered to any resident in areas where we carry out communal landscaping and where their property is not a flat. A lower management fee will be charged. Included within these costs are:

- Regular inspections of the common areas.
- Tendering and contract preparation for common area maintenance
- Selection of contractors and liaising with contractors
- Account administration and debt collection
- Service user consultation
- Copies of our newsletter
- Copy of our annual report

The fee for this service will be £25 inc VAT per year. Any additional work outwith the above list will be charged at cost and shared proportionately within the scheme.

5.3 Common Repairs Administration

Owners will be charged for a proportionate share of any repair work carried out and this will be added to any bills issued. The share apportionment for common repairs is normally stipulated within your Deed of Conditions.

If the title deeds do not state how the ownership should be split up then costs will be apportioned equally between occupiers.

5.4 Major Works

Where major works are planned (works over £2000 per close) the factored owners will be responsible for any administrative charges to pay for the contract preparation and supervision. These will be variable at cost depending on the specialised services required and the level of administration required of the Association.

5.5 Works for non-factored owners

Where works are required for properties that do not have a factoring agreement in place the Association will consider taking responsibility for arranging and supervising individual repairs works. In these cases the Association will seek a 50% payment in advance for the works and charge a administration fee of 15% of the contract value.

6. General Information

Lenders and Solicitors

The Association will liaise with Banks, Building Societies and Solicitors to assist owners when they are selling their property. Any factoring debts will be recovered from the proceeds of the sale.

7. Tenement Management Scheme

The tenement management scheme sets out how properties that are not factored can be managed in the absence of clear title deeds. The Association will aim to put in place a management scheme for all properties where it owns properties.

8. Payments

Invoices will be issued quarterly, 4/6 weeks after the period end, with reminders/final notices being issued at two weekly intervals. If still unpaid, a decision will be taken whether to pursue through a debt collection agency for recovery. Owners should be aware that any debts may cause difficulties when trying to sell the property and it may also affect their credit rating. In some circumstances people in factoring debt may be denied access to services. Factored owners who sign up for a direct debit will be entitled to a 5% reduction in their factoring management fee.

Invoices will be issued covering the following periods:

- 1st April to 30th June
- 1st July to 30th September
- 1st October to 31st December
- 1st January to 30th March

8.1 Invoices & Receipts

The Association will keep detailed records of all works ordered. Copies of invoices will be issued along with factoring accounts for reactive day to day repairs.

For ongoing cyclical and planned works such as grass cutting no copy invoice will be issued. Owners can inspect any invoices or receipts for work which they have been charged for at the office.

8.2 Arrears Procedure

Owners are requested to settle their accounts promptly. Where the Association has to carry out additional work to recover debts it means service charges will rise. Owners may be charged additional fees if arrears are outstanding and extra management costs are incurred. The following escalation procedure will apply to unpaid debts. :

1. **First letter:** Reminder letter after first 14 days have passed.
2. **Second/Final Reminder:** Further 14 days to pay and notification that account may be passed to a debt recovery agency if not settled.
3. **Removal of services:** where outstanding arrears remain we will temporarily withdraw services.
4. **Referral to Debt Collection Agency:** If a customer has failed to make a satisfactory repayment, the account will be passed to a debt collection agency for recovery, if appropriate. Association staff will take account of factors such as :
 - Debt level
 - Cost of legal services in relation to the debt
 - Past payment history
 - Appropriate repayment arrangements

The debtor will meet all legal costs.

5. **Legal Letter:** The debt recovery agency, acting on the Association's behalf, will write to owners advising them of impending court action, if satisfactory repayment arrangements have not been agreed.

9. Sale of Property

Owners currently factored by the Association are required to notify the Association when they sell or dispose of their property. Owners' solicitors should inform the Association of the following details:

1. Name of new owner
2. Date of settlement
3. Solicitor acting on new owner's behalf

Owners should remember that where outstanding debts are held there may be difficulties in trying to sell the property. The association will not co-operate with solicitors requests or in any matter regarding a sale if there are outstanding arrears.

10. Reporting

Quarterly reports will be presented to the Property Management Sub-Committee and made available to all factored owners. These will include :

- The number of accounts issued
- The value of work invoiced in period
- The value of outstanding accounts
- Details of legal action being pursued

11. Equal Opportunities

Barrhead Housing Association is committed to providing fair and equal treatment to all our customers.

The Association will not discriminate against anyone on the grounds of race, colour, ethnic or national origin, disability, religion, age, sexual orientation, marital status, civil partnerships, family circumstances, employment status or physical ability.

We will offer customers a range of options for communicating with us, since requiring to contact us may have to be in writing and this may be a deterrent, for example for people with poor literacy skills, visual impairment, or where first language is not English. We will monitor use of our policy and procedure for ethnic origin and disability to ensure that our procedures deliver fair outcomes for different groups of customers.

12. Complaints

Barrhead Housing Association operates a Complaints Policy that is open and transparent. Should any customer or service user feel the need to make a complaint against an individual or the organisation, the complaints policy and procedure will be implemented.

In keeping records about complaints and in allowing access to our files we will comply with the legislative requirements including, Access to Person at Files Act 1987 and Data Protection Act 1998.

13. Information & Consultation

The Association will keep all factored owners informed of its activities through a variety of methods including:

- Owners factored by the Association will receive a copy of an owner's handbook and will also receive copies of newsletters and annual report.
- The Association or its factored owners will arrange ad hoc meetings regarding the factoring service.
- Regular reports will be presented to the Association's Management Committee and property sub-committee which reports the activities carried out to factored property.
- A factoring forum will meet twice a year with an invite being given to all factored owners.

14. Policy Review

This policy will be reviewed every three years or earlier if changes are required.

Communities Scotland's - self assessment questions incorporating our responses to these questions

Performance Standard: AS5.2 Factoring

Self Assessment

- How well do we perform against internal targets in relation to factoring (e.g. arrears levels, issuing accounts at year-end, covering our costs)?

We monitor the performance of the response repairs service, the arrears level of the factoring debt including setting targets for reduction.

This policy in itself does not set specific targets but identifies method that will be used to manage the service.

- What are service users' views on the quality of our factoring service (e.g. value for money, quality of information, responsiveness)?

The quality of the repairs service will be judged by our QA process.

The overall level of service to factored owners will be assessed by our regular satisfaction survey.

Add hoc surveys will be arranged as part of the service.

- Do we give service users an opportunity to participate in setting standards, policies and priorities?

All factored owners have the opportunity to join the Association; they also receive all newsletters and annual report. Invitations and invites to policy development groups are issued and advertised regularly.

- Are robust mechanisms in place to seek service users' views on the quality of the factoring service?

We currently use our resident satisfaction survey to assess views but plan to introduce mechanisms for renewing the quality of the service with users.

- Do we give factored owners clear information about the factoring service from the outset, including:

their rights and responsibilities;

- our service standards;

- a summary of the deeds of conditions; and

- an accurate estimate of future service charging costs.

The information identified above will be included in the new factoring handbook which will be developed after this policy is approved.

- Is all our information written in plain language, and can it be made available in different languages and formats?

We have access to translation services and keep a confidential database of people with special requirements.

- Do we have robust accounting systems to assess the cost of the service and to price services accordingly?

Through the finance department the costs of the service can be worked out, the introduction of timesheets will gather the base data over the next year.

- Do our factoring charges cover the cost of providing the service?

The costs are subject to annual review and further information will be made available following the renewal of policy.

- Do we have an efficient and effective system for collecting factoring charges and for pursuing and writing off arrears?

We have an efficient system for collecting factoring charges including direct debit, all pay, chip and pin. etc

We can collect all charges through the house sales process

- Do we have a stable charging structure which avoids large variations from year to year?

Usually rate of inflation increase, will be reviewed annually as part of the policy.

- Where we have a float or sinking fund in operation for routine repairs, do we manage it effectively?

Not in operation at present facility in policy for new developments to enact one.

- Can we demonstrate clear audit trails?

Yes, paper and IT records

- Does our approach to factoring reflect an appropriate co-ordination of our management, financial and technical resources?

We have sufficient resources with the appropriate departments to coordinate an appropriate service.

- Have we identified clearly where within the organisation primary responsibility for factoring lies, and do all our publications reflect this?
Factoring now lies within the Property Management department. As documents are replaced they will reflect this change.
- Are there clear deeds of conditions (or other similar documents) which set out our obligations to factored property owners, the legal basis for service charges and responsibilities for repairs?
A variety of deeds exists with varying conditions.
- Is our relationship with factored property owners underpinned by good written agreements which complement the deeds of conditions?
The factoring agreement will be rewritten.
- Do we have a good information base on factored properties?
Yes we hold records for all factored properties and off site owners.