

The highlights and text in square brackets are my additions. My comments are limited because scanning through the document makes my blood boil. I could therefore add A LOT more.

2004 Consultation- Accounting for leaseholders monies & summaries of tenants rights & obligations

See e.g. the battles I had in 2004 in my attempts to get the accounts: [Kensington & Chelsea housing](#); [Local government ombudsman](#) - and [this document](#) for what has happened since then ([Martyn Gerrard pg](#)).

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Front Cover and Publication details

Commonhold and Leasehold Reform Act 2002

A Consultation paper on accounting for leaseholders monies and summaries of tenants rights and obligations

June 2004

Office of the Deputy Prime Minister [= John Prescott – with Keith Hill as minister e.g. 2004 forfeiture legislation]

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Introduction/How to respond to this consultation

1. This paper seeks views on the provisions in the Commonhold and Leasehold Reform Act 2002 ("the Act") that make changes to the way in which service charge monies are held, and the information that is provided to service charge payers.
2. The Act, which received Royal Assent on 1 May 2002, addresses a number of difficulties in residential long leasehold tenure. One area that requires strengthening is the accountability of the money that tenants pay towards service charges, in particular how the money is held, and the information that tenants receive from their landlord about that money.
3. **The Government would be glad to receive any comments on the paper, including the analysis, assumptions and costings in the Regulatory Impact Assessment at Annex G by 24 September 2004. It should be noted that there can be no extension given to this deadline. Comments should be sent to:**

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4. This consultation paper covers England. The National Assembly for Wales will consult separately in Wales.
5. The consultation paper has been sent to various organisations and representatives of major interest groups (see annex F), although it should be understood that this is by no means a definitive list. It has also been sent to the respondents to the Commonhold and Leasehold Reform Draft Bill and Consultation Paper published in August 2000, as well as others who have shown an interest since. Respondents are invited to inform us of any other organisation or person that should be made aware of this paper.

Publication of responses

6. A summary of responses to this consultation will be published 3 months from the closing date on the Departments website at www.odpm.gov.uk. Paper copies will be available on request. All responses will be made public unless confidentiality is specifically asked for.

However, all correspondents should be aware that confidentiality cannot always be guaranteed, for example where a response includes evidence of a serious crime. The information you send us may be published in the summary of responses to this consultation. We will assume that you are content for us to do this, unless you specifically request confidentiality. Corporate confidentiality clauses automatically attached to e-mails will not be taken into account unless you specifically ask us to do so in the main text of your submission. Confidential responses will be included in any statistical summary of numbers of comments received and views expressed.

Chapter 1: Background

1. Service charge payers are entitled to be confident that the money they pay towards the upkeep of their building is held properly, and that it is being used for the purpose it is provided for. While most leaseholders receive sufficient information about their service charges, some leaseholders are not always afforded sufficient information to allow them to be clear about the position that relates both to them individually, and the group of service charge payers to which they belong as a whole.
2. A number of consultation exercises previously took place to establish the way forward. The Residential Leasehold Reform consultation paper of November 1998 sought views on how we might ensure more effective protection for the monies that service charge payer's pay. At that time more than 10% of the respondents raised general concerns relating to the current accounting regime¹.
3. The Commonhold and Leasehold Reform - Draft Bill and Consultation Paper of August 2000 sought views on a number of proposals regarding the holding of service charges and sinking funds, and the provision of better, clearer accounting information.
4. Around 93% of respondents agreed with the proposal that service charges and sinking funds for each group of service charge payers should be kept in a separate account, and 96% agreed that leaseholders should be able to withhold payment if the landlord cannot show that a suitable account exists². In addition, around 73% of respondents agreed with the general view that landlords should be required to provide statements annually and within six months of the end of the accounting year³. Further, a quarter of the respondents agreed that the landlord should send a standard notification of rights relating to service charges.

¹ See paragraph 44 of 'An Analysis of Responses to "Residential Reform in England & Wales – a Consultation Paper"', December 1999. Copies can be obtained from Jude De Souza – see paragraph 3 of the introduction.

² Chapter 6, paragraphs 6.1 to 6.7 of 'Analysis of responses to the consultation paper on leasehold reform' of January 2001 refers.

³ Chapter 6, paragraphs 6.8 to 6.20 of 'Analysis of responses to the consultation paper on Leasehold Reform', January 2001 refers. Copies can be obtained from ODPM Free literature, PO Box No.236, Wetherby, LS23 7NB. Tel: 0870 1226 236, the ODPM website at http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_601933.pdf, or from Jude De Souza – see paragraph 3 of the introduction.

The requirements and regulation making powers

5. The Commonhold and Leasehold Reform Act 2002 ("the Act") imposes several requirements on the landlord in relation to service charges. This paper seeks views on certain provisions in the Act as follows:

- The requirement that service charges from separate groups of service charge payers must be held in separate accounts (see chapter 2 - New section 42A of the Landlord and Tenant Act 1987 refers). The Secretary of State may in relation to these accounts, make regulations prescribing the description of the account in which the service charges must be held; the relevant financial institutions that are allowed to be used for these purposes; and circumstances where the requirements do not apply.
- The requirement that the landlord must provide a regular statement of account and an accountants' certificate (known as a section 21 certificate). [That has never come into effect] (See chapter 3 - New section 21 of the Landlord and Tenant Act 1985 refers). The Secretary of State may in relation to the statement of account and section 21 certificate, make regulations prescribing the form and content of the statement of account; the form and content of the section 21 certificate; and any exceptions from the requirement to provide the section 21 certificate. In addition, the Act allows any regulations that may be prescribed to make different provision for different purposes if necessary.
- The requirement that the landlord must supply service charge payers with a summary of rights and obligations of tenants relating to service charges when sending the regular statement of account, and when sending out demands for service charges. (See chapter 3 - New section 21 of the Landlord and Tenant Act 1985, and new section 21B of the Landlord and Tenant Act 1985 refers). The Secretary of State has the power to prescribe the form and content of the summary of the tenants rights and obligations relating to service charges. Please note that the requirements to provide these summaries will commence from different dates. For the requirement to provide a summary to accompany the regular statement of account we are proposing a date of April 2006. For the requirement to provide a summary to accompany service charge demands the date will be three months after the making of the commencement order.

6. This paper also seeks views on the summary of rights and obligations of tenants in relation to administration charges that must be provided by the landlord when making such a demand. This is in accordance with Schedule 11 of the Commonhold and Leasehold Reform Act 2002, and came into force on 30 September 2003. The Secretary of State has the power to prescribe the form and content of this notice.

7. Service charge payers will have additional rights as a result of these changes. They will be able to ask, in writing, to see documents showing that the service charge money is being held in a separate account, and will have the right to withhold service charges where the landlord fails without reasonable excuse, to comply with this requirement. They will also be able to withhold service charges where the landlord fails without reasonable excuse to provide a regular statement, a section 21 certificate and a summary of tenants rights and obligations either with the regular statement, or when sending out a demand for service charges. It will also be a summary offence, subject to a level 4 fine on the standard scale on conviction (up to a maximum of £2,500), for a person to fail to comply with these provisions of the Act, without reasonable excuse.

Chapter 2: The requirement to hold service charges in a separate account

1. Section 156 of the Act introduces a new section 42A to the Landlord and Tenant Act 1987. This provides that in most cases, service charge contributions for separate groups of service charge payers must be held in separate accounts. We believe that this requirement will help to ensure and promote good financial management, and allow proper accountability to service charge payers.

2. Section 42A also requires that the sums standing to the credit of any trust fund must be held in a separate account, at a relevant financial institution, with the account being designated to hold only service charges. The account will be regarded as designated if the relevant financial institution has been notified in writing by the landlord that the sums standing to the credit of the trust fund are to be held in it, no other funds are held in the account, and the account is of a description specified in regulations by the Secretary of State. The Secretary of State proposes to use the powers available to him to prescribe the minimum requirements for a section 42A account, and to prescribe the relevant financial institutions that may be used.

Concerns raised

3. In previous exercises which sought comments on this issue in August 2000 and January 2003 a number of concerns were raised.

Type of account

4. Concern has been raised that some types of accounts will not satisfy the requirements. We are consulting on the description of the account, and do not intend to make these requirements too onerous so as to enable as much flexibility as possible. Once the requirements are in place it will be for the payee to satisfy himself that the account into which the funds are being paid comply with the requirements. Tenants will be able to challenge this through the courts if they do not agree with the conclusions reached by the payee.

Data protection

5. We are aware that there is some concern that providing certain documentation as proof of compliance with the Act (such as bank statements) may breach data protection legislation. We are of the view that safeguards can be put in place if necessary to avoid any breaches. Section 35 of the Data Protection Act 1988 states that personal data are exempt from the non-disclosure provisions (of that Act) where the disclosure is required by or under any enactment, by any rule of law or by the order of a court. Advice and information on data protection issues can be sought from the Information Commissioner's Office, at Springfield House, Water Lane, Wilmslow, Cheshire, SK9 5AX. Telephone 01625 545 745.

The use of a main 'holding' account

6. There has been some concern over whether a main 'holding' account can be used.

7. This has been raised on two main grounds. Firstly, because a large number of leaseholders are likely to be asked for, and/or will pay their ground rent and service charges in one cheque/transaction, without separating out each charge or sending different cheques for each purpose.

8. Secondly, concern has been raised by landlords and managers on the issue of paying, for example, utility bills, where there is perhaps just one provider that may provide one invoice for several groups of service charge payers. It has been suggested that it would create an unnecessary administrative burden if individual cheques/transactions had to be made to the provider from each separate account.

9. Where the payment of monies by service charge payers is concerned, it would, of course, be easier for landlords and managers if separate cheques were requested and sent. In any event, it may be that when section 166 of the Commonhold and Leasehold Reform Act 2002 comes into force requiring

landlords to request ground rent in a specific notice, a move will be made towards separate cheques/transactions.

10. Where payment of service charges etc. by cheque is concerned, it is our view that until a cheque is cleared the landlord does not 'hold' funds, unless, of course, he has an agreement with the financial institution that he may draw on uncleared cheques. However, once the cheque is cleared for the purpose of section 42A the money is to be regarded as being 'held', and the landlord is bound to comply with the legislation.

11. Where cash is used to pay service charges, it should go directly into the section 42A account. Also, where a bank transfer or single cheque for the service charge element is used, the payee should insist and ensure that this go straight into the appropriate section 42A account.

12. On the whole therefore, we do not see any difficulty in a landlord or manager using a main 'holding' account, both for receiving payments from different groups of service charge payers and for paying bills, with monies being redirected to and from each separate account as and when appropriate. However, it must be pointed out that such a 'holding' account will not comply with the legislation itself, and we would expect the service charge monies to be directed to the appropriate section 42A account at the earliest opportunity and without unnecessary delays.

Sinking (reserve) funds

13. Concern was raised over the payments towards a sinking/reserve fund, and the need for a specific separate account for this. There is no statutory requirement to have a separate designated account for this money to distinguish it from the day to day service charges, and we do not propose to require this. However, a landlord or manager may deem it prudent to keep this money separate, not least to ensure a transparent approach where service charges are concerned.

Interest

14. Concern has been raised about the potential loss of interest on service charge funds because monies will no longer be able to be pooled together to gain the maximum interest available.

15. It will, of course, depend on the agreement reached between the landlord or managing agent and the relevant financial institution as to how interest will be calculated and on what monies. Where an account is eligible for interest it would be a matter for the financial institution to set the amount, which would, of course, be payable into the section 42A account for the benefit of the service charge payers.

Commencement

16. Landlords raised concerns that sufficient time needs to be given to allow them to comply. We therefore propose to commence this provision on 1 April 2006, in line with the new requirement for landlords to provide a regular statement of account (see chapter 3).

17. This will allow landlords sufficient time to comply with requirements of the Act, while trying to keep any additional costs that may be incurred to a minimum, for example, where changes are needed to existing administration systems. It also allows such costs to be spread over a longer period of time.

Q.1: Do you agree with the commencement date of 1 April 2006?

The description of the account under new section 42A(2)(b)

18. New section 42A of the Landlord and Tenant Act 1987 enables the Secretary of State to specify in regulations a description of the account to be used. We believe that it would be unwise to be too prescriptive as this would not benefit the service charge payer, and would make complying with the requirements more difficult for the landlord or manager. It may also have the effect of restricting competition within the financial industry. We therefore propose to restrict the description to the following general requirements.

General requirements

19. (i) that the name of any section 42A account shall include the words 'Section 42A account',
(ii) that the Section 42A account bears a proper account number, and
(iii) that a section 42A account can only be opened and operated by persons aged 18 or over.

Purpose

20. The purpose behind the above requirements is to ensure that the title of the account leaves no doubt as to what the account is for, and to ensure that the account is easily identifiable solely by the account number for each individual group of service charge payers. Of course, the account may contain other identifiers as appropriate, but the above requirements will need to be complied with. We are proposing the age restriction because, while a person under the age of 18 can own land/property, trustees would have to act on their behalf for the purposes of being a landlord.

Notice periods for investment and withdrawal of service charge monies

21. We do not believe that it would be practical to set out any requirements in the regulations in respect of notice periods. It would be difficult to arrive at a workable minimum requirement that would suit all instances. It is our view therefore that this should be at the discretion of the landlord or managing agent depending upon each individual circumstance.

Q.2: Do you agree with the proposal that the account includes in its name the wording 'section 42A account' and that it bears a proper account number?

Q.3: Should any other general features for the account be prescribed in regulations (please specify)?

Q.4: Do you agree with the proposed requirement that a section 42A account may only be opened and operated by persons aged 18 or over (if not please give reasons)?

Exceptions from having to comply with new section 42A

22. Section 42 of the Landlord and Tenant Act 1987 sets out the current requirements for service charge contributions to be held in one or more accounts, and section 58 of that Act sets out those landlords that are currently excepted from this requirement. These exceptions were put in place because of the strict regimes under which these bodies operate and the legislation to which they already have to comply with. We propose that these same exceptions will also apply to new section 42A. They are:

Local authorities; The Commission for New Towns or a development corporation established by an order made under the New Towns Act 1981; an urban development corporation within the meaning of Part XVI of the Local Government, Planning and Land Act 1980; Housing Action Trusts; The Broads Authority; a National Park authority; The Housing Corporation; a housing trust; a housing trust which is defined as a charity; a registered social landlord or fully mutual housing association which is not a registered social landlord; an authority established under section 10 of the Local Government Act 1985.

23. Having carefully considered a wide range of additional exceptions suggested to us, we do not believe it appropriate to specify any additional circumstances where an exception should be given. An example of the suggestions made were where a person belongs to a professional body and has to comply with a code of practice, where the reserves of small companies are less than a certain amount, or in the lower cost areas of the housing market.

24. It should be noted that section 42A is, in effect, an extension of the current section 42 of the Landlord and Tenant Act 1987. To include some or all of the suggestions put forward as exceptions would, for example, create an additional burden in ensuring (on a regular basis) that the codes of practice provided sufficient protection. Other exceptions would otherwise be fairly arbitrary in nature, and would also deny a large number of leaseholders' rights that others would enjoy. We believe that this would have the effect of severely weakening the intended purpose of the provision. This is to ensure that service charge payers' money is held properly and that there is a clear and transparent process which can be evidenced as necessary.

Q.5: Do you agree that there are no other circumstances which justify a specific exception from having to comply with section 42A (if not please specify with reasons)?

Definition of 'Relevant Financial Institution'

25. The new section 42A requires that service charges for each group of service charge payers are held in a separate account at a relevant financial institution, where the relevant financial institution has the meaning given by regulations made by the Secretary of State.

26. What currently constitutes a relevant financial institution for purposes of section 42 is defined in The Service Charge Contributions (Authorised Investments) Order 1988 (SI 1988 No. 1284), amended by the Financial Services and Markets Act 2000 (consequential Amendments and Repeals) Order 2001 (SI 2001/ 3649). This Order states that:

"(1) Any sums standing to the credit of any trust fund to which section 42 of the Landlord and Tenant Act 1987 applies may be -

(a) deposited at interest with the Bank of England; or

(b) deposited in the United Kingdom at interest with -

(i) a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to accept deposits, or

(ii) an EEA firm of the kind mentioned in paragraph 5(b) of Schedule 3 to that Act which has permission under paragraph 15 of that Schedule (as a result of qualifying for authorisation under paragraph 12(1) of that Schedule) to accept deposits.

(2) Where a person of a kind mentioned in paragraph (1)(b)(i) is a building society within the meaning of the Building Societies Act 1986, any such sums may also be invested in shares in that building society.

(3) Paragraph (1) must be read with -

(a) section 22 of the Financial Services and Markets Act 2000;

(b) any relevant order under that section; and

(c) Schedule 2 to that Act."

27. In general terms therefore, this means that only those banks, building societies, friendly societies and credit unions as authorised under Part 4 of the Financial Services and Markets Act 2000 can operate section 42A accounts.

28. As part of the new requirements we want to ensure that service charge money is held by properly regulated financial institutions. We also want to retain the widest possible definition of 'relevant financial institution' to enable and encourage competition and promote good practice. This approach should hopefully allow a wide range of financial products to be made available that are compliant with the Act, which will also benefit the service charge payer. As such, we are content to apply the existing definition of a financial institution so that the current financial legislation can provide sufficient checks and controls on such institutions.

The proposal

29. We propose therefore, that provisions set out in The Service Charge Contributions (Authorised Investments) Order 1988 (SI 1988 No. 1284), amended by Financial Services and Markets Act 2000 (consequential Amendments and Repeals) Order 2001 (SI 2001/3649) be used for purposes of the meaning of relevant financial institutions under new section 42A.

Q.6: Do you agree with the proposed definition of relevant financial institution (if not please specify)?

Chapter 3: The requirement to provide a regular statement of account, section 21 certificate, and summary of rights and obligations of tenants in relation to service charges

(New section 21 of the Landlord & Tenant Act 1985). The notice to accompany demands for service charges (Section 153 of the Commonhold & Leasehold Reform Act 2002).

1. **Section 152** of the Commonhold and Leasehold Reform Act 2002 replaces section 21 of the Landlord and Tenant Act 1985 with new requirements where service charge information is concerned, and also introduces a new section 21A of the Landlord and Tenant Act 1985 regarding the withholding of service charges.
2. **Section 21** of the Landlord and Tenant Act 1985 currently allows tenants to request a summary of service charges from the landlord. The new section 21 requirements will instead require that a landlord has to supply a regular statement of account, a section 21 certificate (unless excepted from this requirement), and a summary of the rights and obligations of tenants relating to service charges. This is to ensure that where tenants pay service charges they receive regular information relating to those charges. **[The sacrosanct landlord lobby had its flunkies in Parliament remove the right]**
3. **Section 153** of the Commonhold and Leasehold Reform Act 2002 introduces a new section 21B of the Landlord and Tenant Act 1985. This requires that where a *demand* for payment of a service charge is made, the demand must be accompanied by a summary of the rights and obligations of tenants in relation to service charges.
4. The Secretary of State has the power to make regulations prescribing the form and content of the regular statement, the section 21 certificate, and the summary of rights and obligations of tenants relating to service charges. What follows are the proposals for the regulations that will set out the content of these documents.

Section 152 - Regular Statement of account required under new section 21 [NOT IN FORCE]

5. The regular statement must be supplied to each tenant for the accounting period, which should be no more than 12 months long, and is required to deal with the service charge accounts of the tenant and tenants of dwellings associated with his dwelling. It should therefore provide information about the overall account of other tenants who contribute towards the same service charge costs in respect of those shared costs, as well as certain information relating to the account of the individual tenant. The statement is also required to show the balance of service charges at the beginning and end of the accounting period.

6. An informal discussion paper was published in January 2003 on the accounting provisions in the Commonhold and Leasehold Reform Act 2002. This included the regular statement. The paper set out certain proposals, and sought initial comments with a view to informing this consultation paper. These comments have been taken into account in respect of the proposals now being made.

7. It is important to note that we only intend to prescribe the minimum information that must be provided in the regular statement of account. We do not propose to prescribe the exact content, or the format that should be used. Annex A to this paper sets out the minimum information required.

8. It will, of course, be possible for the landlord to provide other information in addition to that prescribed by regulation. In fact, we would expect that this is already the case in most situations. It is not intended that this would constitute a failure by the landlord to comply with the requirements of the Act.

9. Details of the proposed content for the regular statement can be found at **Annex A** to this paper.

The statement of account

Q.7: Do you agree with the minimum content proposed for the regular statement?

Q.8: If not, what should be different (please be specific)?

Q.9: Should the information included in the individual part of the statement of account for the tenant be drawn up or presented differently (please specify)?

Q.10: Do you think there should be a requirement that items of expenditure above a specified threshold should be individually identified?

Q.11: If so what should that threshold be?

Q.12: Should comparative figures be provided for expenditure in the previous year?

Q.13: Should any budgetary figures be provided for direct comparison against actual expenditure?

Q.14: Should items of expenditure which were paid for out of monies in any Reserve Fund be separately identified?

Costs

Q.15: What are the cost implications of this proposal (please provide supporting evidence where possible)?

Q.16: If items of expenditure above a specific threshold should be identified, what would be the cost implications?

Q.17: Are there any 'off the shelf' packages available that can provide the required information already. If so, what is the cost of these packages?

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(Please note that any information received in regard of costs will be treated as confidential)

Section 21 certificate (and exceptions)

10. The informal discussion paper published in January 2003 also included a proposed draft accountants' certificate.

11. As a result of comments received to that paper we are taking a different approach to that originally suggested. While we have been able to incorporate some of the comments made, the 2002 Act is specific in its requirements. We have therefore been unable to incorporate all of the suggestions put forward.

12. We intend to prescribe the content of the certificate rather than the form itself. This is to allow flexibility for the landlord (and his accountant) to decide on the most appropriate form in any given circumstance.

The term 'Certificate'

13. We are aware of some disquiet to the use of the term 'certificate' and what this may imply. The Act is specific in its requirement that a 'certificate' is provided, and this terminology must therefore in our view be used. However, to help avoid any misunderstanding between the parties as to what the certificate represents and what work has (or has not) been carried out, we propose that this is made sufficiently clear in the certificate itself. We also propose that the certificate is titled 'Section 21 Certificate'.

Coverage of the section 21 certificate

14. The Act requires the landlord to provide each tenant with a regular statement of account and a section 21 certificate (where not excepted from providing the certificate).

15. The section 21 certificate will state that in the accountants' opinion, the regular statement of account deals fairly with the matters with which it is required to deal and is sufficiently supported by accounts, receipts and other documents which have been produced to him. The Act requires this wording to be used in the section 21 certificate itself.

16. Because the regular statement must cover the service charges of the tenant and tenants of the dwellings associated with his dwelling, the section 21 certificate must also cover the same information.

Six month time limit for provision of information

17. We are also aware of concern over the time limit within which the regular statement of account, section 21 certificate and summary of tenants rights and obligations must be provided. This must be provided within six months of the end of the accounting period. The purpose of this time limit is to ensure that the information the tenant receives is sufficiently up-to-date so as not to be worthless. While we recognise the concerns put forward, we do not believe that this requirement is unachievable. We therefore have no plans to amend this limit, which is laid out in the Act itself.

18. Details of the proposed content for the section 21 certificate can be found at **Annex B**.

Q.18: Do you agree with the content of the section 21 certificate?

Q.19: If not, what changes do you propose and why (please be specific)?

Q.20: Does the proposed content of the certificate clearly show what work has been carried out and what work has not?

Exceptions to providing the section 21 certificate

19. We propose to allow a number of exceptions from having to provide the section 21 certificate. However, both the regular statement of account and the summary of tenant's rights and obligations

will still need to be provided as there are no exceptions to these where service charge payers with long residential tenancies are concerned. The proposed exceptions are as follows.

20. Proposed exception 1 (four or fewer dwellings)

Where the information contained in the statement (other than the individual tenant's information) deals with service charges and relevant costs associated with 4 or fewer dwellings.

Q.21: Do you agree with proposed exception 1?

21. Proposed exception 2 (no service charges levied) Where no expenditure has been incurred and consequently no service charges have been levied for that period.

22. We envisage proposed exception 2 also covering circumstances where the only movements in relation to the service charges are (a) interest being credited to the section 42A account and/or (b) payments to the sinking or reserve fund from the section 42A account.

23. We would expect a section 21 certificate to be provided in all cases where payments are made from the sinking or reserve fund.

Q.22: Do you agree that there should be an exception where only interest is paid to the section 42A account or money is paid into the sinking or reserve fund?

Q.23: Do you agree that there should be no exception where money is transferred out of the sinking or reserve fund?

24. Proposed exception 3 (Alternative legislation requirements)

Where, in accordance with a direction made under section 78 of Local Government & Housing Act 1989 or regulations made under section 27 of the Audit Commission Act 1998, the local authority has provided a statement of account to the tenant. In order for the exception to apply the statement of account must include the following words:

"The statement of account deals fairly with the matters with which it is required to deal under section 21 of the Landlord and Tenant Act 1985 and is sufficiently supported by accounts, receipts and other documents".

25. We envisage proposed exception 3 applying to local authorities that, in having to comply with other legislation already provide information considered sufficient to warrant an exception. This is to avoid imposing an additional and unnecessary burden on local authorities which would not provide service charge payers with any additional information to that which they have received under other legislative requirements.

Q.24: Do you agree with proposed exception 3?

26. Proposed exception 4 (Waiver of right to receive a section 21 certificate)

Where an individual tenant provides written authority to the landlord waiving the right to receive a certificate for the relevant accounting period. The landlord must receive the written authority at least one month before the end of the relevant accounting period.

27. We envisage proposed exception 4 allowing an individual tenant to provide the landlord with written confirmation that they do not require a section 21 certificate. The landlord must receive this confirmation at least one month before the end of the relevant accounting period.

Q.25: Do you agree with proposed exception 4?

Q.26: Do you agree that the written authority required under proposed exception 4 should be received by the landlord at least one month before the end of the relevant accounting period?

Summary of rights and obligations of tenants in relation to service charges required under new section 21

28. This summary must be provided with the regular statement of account in all cases.

29. While the Act allows the Secretary of State to prescribe both the form and content of the summary, it is our current intention that only the content of the summary be prescribed. This is to allow as much flexibility as possible for landlords when choosing what form the summary is provided in to their tenants.

30. Tenants will be able to withhold payment of a service charge where the summary is not provided, or where it does not conform exactly or substantially to that prescribed in regulations.

The content of the summary

31. We have been asked to keep the summary as short as possible in order to assist administration and keep down costs. We appreciate the reasons for this, but our view is that the Act requires *all* rights and obligations to be included rather than a selection of them. The proposed summary is set out in **Annex C**.

Q.27: Do you agree with the content of the summary?

Q.28: If not, have we excluded any rights or obligations that should be included (please specify)?

Q.29: Is there a better way of showing the information than that proposed (if yes, please give examples)?

New section 21: commencement and compliance period

32. We propose to commence section 152 on 1 April 2006, in line with that for the requirement to hold service charge money in separate accounts (New section 42A - see chapter 2). This will result in the first accounting period, as specified in the Act, beginning on 1 April 2006. This long lead-in period is to allow landlords sufficient time to make any changes necessary to their administrative and IT systems in order to comply with the new requirements.

Q.30: Do you agree with the commencement date of 1 April 2006 for new section 21?

Q.31: If not, what commencement date would be appropriate and why?

Transitional period

33. Currently under section 21 of the Landlord and Tenant Act 1985 (the 1985 Act), a tenant or secretary of a recognised tenants' association can request a summary of service charge costs incurred in the last accounting period of twelve months or where accounts are not made up on that basis, for the period of twelve months ending with the date of the request. The landlord must supply the summary within one month of the request or within six months of the period to which the summary relates, whichever is the later. Section 22 of the 1985 Act provides that a request can then be made within six months of the receipt of a summary, for reasonable facilities to inspect and take copies of accounts, receipts and other documents supporting the summary.

34. A request for a summary under section 21 of the 1985 Act made before commencement of the new provision will clearly continue to be effective. Also, where a tenant then makes a valid request to inspect the supporting accounts under section 22 of the 1985 Act as it stood before commencement of the new provisions, this right must also be afforded.

35. After the commencement of the new provisions, we propose to continue to provide a tenant with a specified time for requesting a summary and subsequently facilities for the inspection of documents, in relation to certain earlier periods. These proposals, which cover the different situations outlined

below, are intended to avoid any overlap of the periods which may be covered by summaries requested under section 21 as it stands before commencement, and by the first regular statement of account required under the new section 21. This is in order to prevent any duplication of the information that a landlord may be required to provide.

36. Where service charge accounts are prepared on the basis of an accounting period of twelve months, the following provisions will apply.

i) A summary can be requested for the last accounting period that was completed before the commencement of the first accounting period under the new provisions (the commencement date). This right will be available for a period of six months after the commencement date or twelve months from the end of the accounting period to which the information relates, whichever is the sooner.

ii) A summary can also be requested for any period of less than twelve months between the end of the last completed accounting period and the commencement date. This right will be available for a period of six months after the commencement date.

37. Where service charge accounts are not prepared on the basis of an accounting period of twelve months, the following provisions will apply.

i) If a summary has not previously been supplied which covers any part of the twelve months period before the commencement date, a summary can be requested for this period. This right will be available for a period of six months after the commencement date.

ii) If a summary has previously been supplied which covers any part of the twelvemonth period before the commencement date, then a summary can be requested to cover the time between the end of the period covered by the previous summary and the commencement date. This right will be available for a period of six months after the commencement date.

38. In all the different cases outlined above, the landlord must supply the summary within one month of the request or within six months of the end of the period to which the summary relates whichever is the later. Rights to inspect supporting accounts and documentation under section 22 of the 1985 Act as it stands before commencement will then be available within six months of the receipt of the summary.

Q.32: Do you agree with the proposed transitional arrangements set out in paragraphs 36, 37 & 38?

Data protection issues

39. There were concerns that supplying the regular statement of account would involve the disclosure of personal data. Section 35 of the Data Protection Act 1988 states that personal data are exempt from the non-disclosure provisions (of that Act) where the disclosure is required by or under any enactment, by any rule of law or by the order of a court. Advice and information on data protection issues can be sought from the Information Commissioner's Office, at Springfield House, Water Lane, Wilmslow, Cheshire, SK9 5AX. Telephone 01625 545 745.

Notice to accompany demands for service charges under new section 21B

40. Section 153 of the Commonhold and Leasehold Reform Act 2002 inserts new section 21B of the Landlord and Tenant Act 1985. This requires a landlord to provide a summary of the rights and obligations of tenants in relation to service charges whenever a service charge demand is made.

41. Subsection (2) of the new section 21B allows the Secretary of State to prescribe the form and content of such summaries by regulation.

42. It should also be noted that subsection (3) of new section 21B gives tenants a specific right to withhold payment of a service charge if the summary is not provided by the landlord, but monies can only be withheld until the summary is provided.

Proposals

43. Because the summary required under this section is the same as that required under new section 21 of the Landlord and Tenant Act 1985, we propose to provide in regulations that the summary of tenant's rights and obligations prescribed under section 21 can be used for the purposes of new section 21B as well, (See annex C).

Q.33: Do you agree that the summary of tenants' rights and obligations proposed for new section 21 should be used where a service charge demand is made under new section 21B?

Q.34: If not, what should be provided by way of a summary (please specify)?

Chapter 4: Notice in connection with demands for administration charges

1. Schedule 11 of the Commonhold and Leasehold Reform Act 2002 which came into force on 30 September 2003, introduces new rights for tenants where the landlord requests payment of an administration charge under the lease.
2. Paragraph 4 of schedule 11 requires landlords to include with any demand for administration charges, a summary of tenants' rights and obligations in relation to those charges.
3. Paragraph 4(2) allows the appropriate national authority to prescribe the form and content of such summaries by regulations.
4. Importantly, subsection (3) of schedule 11 gives tenants a specific right to withhold payment of an administration charge if the summary is not provided, but only until the summary is provided.

Proposals

5. We propose to introduce regulations setting out the content of the summary that is to be provided by landlords. We do not propose to prescribe the form to be used.
6. The summary must include information about the tenant's obligation to pay an administration charge that can be recovered under a lease, as well as the tenant's rights and any action that may be taken where they believe that the administration charge is unreasonable.
7. Details of the proposed content for the summary of tenants rights and obligations in relation to administration charges can be found at Annex D.

Q.35: Do you agree with the proposed content for the administration charges summary?

Q.36: If not, have we excluded any rights and obligations that should be included (please specify)?

Q.37: Is there a better way of showing the information than that proposed. (If yes, please give examples)?

Annex A: Section 21: Regular statement of account - proposed content

(Please note that we propose to incorporate the side notes (*in italics*), and the general notes at the foot of the statement, as notes in the regulations).

<p>Service Charge Statement of Account for:</p> <p style="text-align: right;">to</p> <p>For the Accounting Period from to Income and Expenditure Account Expenditure relating to the year (whether paid or to be paid)</p> <p>Buildings Repairs and Maintenance</p> <p>General</p> <p>Lift repairs and maintenance</p> <p>Cleaning and refuse</p> <p>Entryphone and Security</p>	<p><i>Describe building(s)/estate address in respect of which the service charge is payable</i></p> <p><i>Specify the relevant accounting period</i></p> <p><i>Use headings and individual categories</i></p> <p><i>Additional categories can be used where appropriate</i></p>
<p>Improvements</p> <p>Grounds Maintenance</p> <p>Utilities</p> <p>Gas</p> <p>Electricity</p> <p>Other</p> <p>Administration</p> <p>Management Fees</p> <p>Accountancy</p> <p>Legal and other Professional Fees</p> <p>Insurance (See notes to the accounts)</p>	
<p>Staff Costs and Expenses</p> <p>Wages</p> <p>Expenses</p>	<p><i>Include wardens and caretakers</i></p>

<p>Contributions transferred to Reserve Fund</p> <p><u>Total Expenditure</u></p> <p>-----</p> <p>-----</p> <p><i>Less:</i></p> <p>Service Charges demanded on account for the period</p> <p>Transfer from Reserve fund</p> <p>Other Income _____</p>	<p><i>Sums to be set aside to meet costs to be incurred in future accounting periods</i></p> <p><i>Amounts demanded from tenants in advance of costs being incurred</i></p> <p><i>include interest (other than reserve fund interest), grants received (identify) and notional amounts from rents</i></p>
<p>Surplus/Deficit to be Returned/ Retained/Collected</p> <p>Surplus/Deficit at start of accounting period</p> <p>Surplus/Deficit at end of accounting period _____</p>	
<p>Balancing Statement</p> <p>Assets</p> <p>Arrears owed by Lessees</p> <p>Other monies owed</p> <p>Sums paid in this period but relating to subsequent period</p> <p>Deficit for the period to be collected</p> <p>Balances held</p>	<p><i>Include any other Debtors</i></p> <p><i>Include Prepayments</i></p> <p><i>Amount of under recovered service charges for this period to be recovered in the next period</i></p> <p><i>Include balance at bank, cash or other balances held</i></p>
<p><i>Less:</i></p> <p>Liabilities</p> <p>Service Charges paid in advance</p> <p>Costs relating to the period but not yet</p> <p>Surplus for the period to be credited _____</p>	<p><i>Include prepayments by tenants</i></p> <p><i>Include costs for which no demand received, or a demand has been received but not paid</i></p> <p><i>Where an excess amount of service charges have been collected for the period</i></p>
<p>Net Assets _____</p>	

<p>Reserve Fund</p> <p>Balance brought forward from (<i>date</i>)</p> <p>Transfer from Service Charge Account during the year</p> <p>Interest received</p> <p><i>Less:</i></p> <p>Transfer to Service Charge Account during the year</p> <p>Balance at (<i>date</i>)_____</p>	<p><i>Enter closing date for accounting period</i></p>
<p>Individual statement for Tenant of:</p> <p>Balance brought forward as at</p> <p>Add/Less: Amounts paid by you during current accounting period:</p> <p>Less/Add: Amounts demanded from you current accounting period</p> <p>Additional amounts due from/to you _____</p> <p>Amounts outstanding/overpaid at the end the accounting period</p>	<p><i>Enter address</i></p> <p><i>Enter balance at start of accounting period</i></p> <p><i>Include payments for current and future periods and for arrears from previous periods.</i></p> <p><i>Include any reserve fund contributions demanded during the year</i></p> <p><i>Tenant's share of the surplus/deficit of amounts demanded over expenditure</i></p>
<p>Notes to the accounts for the year ended:</p> <p>1. Accounting policies</p> <p><i>Accounting basis to be specified.</i></p> <p>2. Building insurance</p> <p><i>Building insurance is with the General Insurance Company.</i></p> <p><i>Sum Insured £1,000,000.</i></p> <p><i>Policy Number: ABC123</i></p>	<p><i>Enter accounting period end date</i></p> <p><i>Identify here the principles, bases, conventions, rules and practices upon which the statement is prepared</i></p> <p><i>Supply details of name of insurer</i></p> <p><i>Sum insured.</i></p> <p><i>Policy number</i></p>

General notes

1. The statement is required to deal with the service charges of the tenant and those of other tenants in respect of shared costs. Such costs would typically include those in respect of both the building containing the tenant's flat and any facilities or common areas shared with tenants in other buildings.
2. This statement is for the purposes of service charge accounting only and therefore should be separate from the accounts of tenants' management companies.
3. The terminology is specifically used for the purposes of the statement and is intended to provide maximum clarity for the tenant.

4. This statement is prepared on an accruals basis under the historical cost convention. It is considered that this will enable the statement to provide a more accurate picture of the service charge account for the relevant accounting period.

5. Section 26 of the Landlord and Tenant Act 1985 provides an exemption to certain landlords including local authorities from having to provide statements to tenants who do not hold long tenancies.

Income and Expenditure Account

Other Income

6. Any grants received, or to be received for the period, should be identified and included under 'Other Income'. For example, identifying whether any of the costs relate to works in respect of which a grant has been or is to be paid under section 523 of the Housing Act 1985 or any provision of Part 1 of the Housing Grants, Construction and Regeneration Act 1996, setting out how they have been or will be reflected in demands for service charges. Also, whether any costs relate to works included in external works specified in a group repair scheme within the meaning of part VIII of the Local Government and Housing Act 1989 in which the landlord participated or is participating as an assisted participant.

7. Notional amounts may need to be included where relevant, for contributions towards relevant costs and contributions to any reserve fund, by tenants who do not receive service charge demands. Such amounts could be included under 'other income'.

Balancing Statement

8. This statement is included in order to provide a fuller explanation of the information in the Income & Expenditure Account. This will make it easier to check any balances held on behalf of tenants are correct.

9. There would be no need to differentiate between, a) costs incurred but for which no payment has been demanded, b) payments that have been demanded but not paid and c) actual payments made out of the service charge account. Any items falling under a) and b), could be included in the category "*Costs relating to the period but not yet paid*" under Liabilities. They would not need to be separately identified and neither would items under c).

Individual Statement

10. An individual statement is required for each tenant paying service charges, although note 5 above details exemptions from this requirement. This statement is intended to show the tenant how the relevant costs which have been incurred for the period, are reflected in the service charges that he is required to pay.

Annex B: Section 21: Accountants' certificate - proposed content

The following information must be included:

Section 21 Certificate

This certificate is prepared for purposes of section 21 of the Landlord and Tenant Act 1985.

Under section 21 the Landlord and Tenant Act 1985 the landlord is responsible for the preparation of the section 21 statement of account and certificate, and the summary of rights and obligations of tenants relating to service charges. [The Managing Agent has undertaken responsibility for the preparation of the section 21 statement of account on behalf of the landlord. *Delete if not applicable*].

The statement of account, together with a section 21 certificate, and a summary of tenant's rights and obligations in relation to service charges must be supplied to the tenant no later than six months after the end of the accounting period.

We have been asked to form an independent opinion of whether the section 21 statement of account deals fairly with the matters with which it is required to deal with under section 21 and any regulations, and to report our opinion to the landlord or his Agent. This is based on our examination of the accounts, receipts and other documents produced to us on the service charge account.

In accordance with our engagement letter dated [*enter date*], we have examined the statement of account in respect of [*enter property details*] for the accounting period [*enter accounting period*].

We planned and performed our examination so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of account deals fairly with the matters with which it is required to deal, and is sufficiently supported by accounts, receipts and other documents which have been made available to us. In view of the purpose for which this statement of account has been prepared, we did not form any opinion as to the reasonableness of the costs or payments, or the standard of services or works provided.

Our work included examination on a test basis of evidence relevant to the amounts included in the statement and their disclosure. [It also included an assessment of any estimates and judgements made by the landlord/managing agent in their preparation of the service charge statement. - *delete if not applicable*].

In our opinion the section 21 statement of account for the accounting period deals fairly with the matters with which it is required to deal and is sufficiently supported by accounts, receipts and other documents.

The certificate must be signed and dated accordingly, and shall also include the following:

- Details of the addressee.
- Details of the landlord/managing agent.
- The accountants' details.

Annex C: Section 153 (New section 21): summary of tenants rights and obligations relating to service charges - proposed content

Summary of Tenants Rights and Obligations - Service Charges

The following does not give a full interpretation of your rights and obligations. You should always seek professional advice if in any doubt.

Tenant's Obligations

Your obligations regarding service charges are set out in your lease. This will set out the services that your landlord is able to charge for and your obligation to pay service charges.

Tenants Rights

Service charges must be reasonable. Reasonableness will depend upon the service, works or goods supplied and cost.

If you pay a service charge that is paid as part of or in addition to the rent that varies according to the costs, you have the following rights:

1. To apply to a Leasehold Valuation Tribunal (LVT) to determine your liability to pay service charges including, by whom it is payable, to whom, how much, and the date and manner in which it is payable. Applications can be made either before or after service charge costs have been paid.

However, you do not have this right if:

- the matter has been agreed or admitted by you;
- the matter has been or is to be referred to arbitration pursuant to a post-dispute arbitration agreement;
- the matter has been the subject of a determination by a court, or by an arbitral tribunal pursuant to a post-dispute arbitration agreement;
- the rent is registered under Part IV of the Rent Act 1977, unless the amount registered is entered as a variable amount.

2. To apply to a LVT to determine whether the landlord's costs arising from proceedings at a LVT can be recovered through the service charges. However, you do not have this right if:

- You are a tenant of a local authority, National Park authority and New town corporation, unless your tenancy is a long tenancy (i.e. normally a tenancy first granted for more than 21 years).
- The rent is registered under Part IV of the Rent Act 1977, unless the amount registered is entered as a variable amount.

3. To be consulted when your landlord intends to enter into a long-term contract or intends to carry out work that cost any tenant more than the amount prescribed by regulation. However, you do not have this right if:

- You are a tenant of a local authority, National Park authority and New town corporation, unless your tenancy is a long tenancy (i.e. normally a tenancy first granted for more than 21 years).
- The rent is registered under Part IV of the Rent Act 1977, unless the amount registered is entered as a variable amount.

Note: Where a grant has been or is to be paid towards the work the service charges shall be reduced accordingly.

4. To withhold payment of a service charge until the landlord's name and address (in England and Wales) is contained in any demand for service charges, or until the landlord has provided name and address details (in England and Wales) at which notices can be served on him. However, you do not have this right if:

- The landlord subsequently complies with the requirement to provide the name and address details.
- By order of any court a receiver or manager has been appointed whose functions include the receiving of service charges.

5. To withhold payment of a service charge where a regular statement of account under s.21 of the Landlord & Tenant Act 1985, together with a section 21 certificate (if applicable) and a summary of rights and obligations in respect of the service charges is not provided. In addition, payment of a service charge may be withheld where a summary of tenants rights and obligations does not accompany a demand for service charges. However, you do not have this right if:

- You are a tenant of a local authority, National Park authority and New town corporation, unless your tenancy is a long tenancy (i.e. normally a tenancy first granted for more than 21 years).
- the landlord subsequently complies with requirements of section 21, or a LVT has made a determination.
- the rent is registered under Part IV of the Rent Act 1977, unless the amount registered is entered as a variable amount.

6. To make a written request to the landlord to inspect (and take copies of) accounts, receipts and other documents relevant to the service charges covered by the section 21 regular statement. However, you do not have this right if:

- You are a tenant of a local authority, National Park authority and New town corporation, unless your tenancy is a long tenancy (i.e. normally a tenancy first granted for more than 21 years).
- The rent is registered under Part IV of the Rent Act 1977, unless the amount registered is entered as a variable amount.

7. To have service charge payments held in trust and in a designated account, and make a written request to your landlord to inspect (and take copies of) documents evidencing this. However, you do not have this right if your landlord is:

- A local authority; Commission for New Towns or a development corporation established by an order made under the New Towns Act 1981; Housing Action Trusts; The Broads Authority; a National Park authority; The Housing Corporation; a housing trust; a housing trust which is a charity; a registered social landlord or fully mutual housing association which is not a registered social landlord; an authority established under section 10 of the Local Government Act 1985. These landlords do not have to hold service charge monies in separate designated accounts.

8. To withhold payment of a service charge where there are reasonable grounds for believing that the landlord has failed to hold service charge payments in trust in a separate account for each group of service charge payers. However, you do not have this right if:

- Your landlord is a local authority; Commission for New Towns or a development corporation established by an order made under the New Towns Act 1981; Housing Action Trusts; The Broads Authority; a National Park authority; The Housing Corporation; a housing trust; a housing trust which is a charity; a registered social landlord or fully mutual housing association which is not a registered social landlord; an authority established under section 10 of the Local Government Act 1985. These landlords do not have to hold service charge monies in separate designated accounts.
- The landlord subsequently complies with the requirements to hold service charge payments in trust in a designated account.

9. To apply to a LVT to vary a lease where it does not make satisfactory provision with regard to the insurance of the property, the recovery of expenditure, or the computation of a service charge payable under the lease. However, you do not have this right if:

- You do not have a long lease (i.e. generally one that is first granted for more than 21 years).

10. To apply to a LVT to appoint a new manager where the landlord has demanded, or is likely to demand, unreasonable service charges. However, you do not have this right if:

- Your landlord is a local authority; Commission for New Towns or a development corporation established by an order made under the New Towns Act 1981; Housing Action Trusts; The Broads Authority; a National Park authority; The Housing Corporation; a housing trust; a housing trust which is a charity; a registered social landlord or fully mutual housing association which is not a registered social landlord; an authority established under section 10 of the Local Government Act 1985.
- The property is not purpose built, the landlord is resident and less than one half of the flats are held on long leases.
- The property is included within the functional land of any charity.

11. To arrange for a management audit to establish whether service charges are being spent in a cost-effective way. However, you do not have this right if:

- You have a business lease.
- There is no long residential lease.

12. For leasehold houses, to apply to a LVT to determine whether insurance cover in respect of a nominated insurer clause in the lease is satisfactory, or the premiums excessive. However, you do not have this right if:

- The matter has been agreed or admitted by you.
- The matter has been or is to be referred to arbitration pursuant to a post-dispute arbitration agreement.
- The matter has been the subject of a determination by a court or arbitral tribunal.

Forfeiture

You should be aware that most leases provide the landlord with a right or re-entry or forfeiture if service charges which are properly due, are not paid. However, a court order is required for this, and it may not proceed unless you have admitted that you are liable to pay the amount or it is finally determined by (or on appeal from) a Leasehold Valuation Tribunal (LVT), a court, or arbitral tribunal as being due. Forfeiture may also not proceed if the outstanding service charge (or a combination of service charge, rent and administration charge) is less than £350, unless the unpaid amount or any part of it has been outstanding for more than three years.

Annex D: Schedule 11: Summary of tenants rights and obligations in relation to administration charges - proposed content

Summary of Tenants Rights and Obligations - Administration Charges

The following does not give a full interpretation of your rights and obligations. You should always seek professional advice if in any doubt.

Tenant's Obligations

Your lease will set out whether the landlord can require you to pay an administration charge (either fixed or variable) for such things as approvals, provision of information and notifications arising from breach of a lease.

Tenant's Rights

Administration charges must be reasonable. Reasonableness will depend upon what the charge is for and the cost.

If you are liable to pay an administration charge (either fixed or variable) under your lease you have the following rights:

1. To apply to a Leasehold Valuation Tribunal (LVT) to determine your liability to pay an administration charge including by whom it is payable, to whom, how much, and the date and manner in which it is payable. Applications can be made either before or after the administration charge has been paid. However, you do not have this right if:

- The matter has been agreed or admitted by you.
- The matter has been or is to be referred to arbitration pursuant to a post-dispute arbitration agreement.
- The matter has been the subject of a determination by a court, or by an arbitral tribunal pursuant to a post-dispute arbitration agreement.

2. To apply to a LVT to vary the lease where:

- The administration charge is unreasonable;
- The formula specified in the lease for calculating the administration charge is unreasonable.

3. To withhold payment of an administration charge demanded where a summary of rights and obligations in respect of administration charges has not been provided. However, you do not have this right if:

- The landlord subsequently provides a summary that complies with that prescribed in regulations.

Forfeiture

You should be aware that most leases provide the landlord with a right of re-entry or forfeiture if charges which are properly due, are not paid. However, a court order is required for this, and it may not proceed unless you have admitted that you are liable to pay the amount or it is finally determined by (or on appeal from) a Leasehold Valuation Tribunal (LVT), a court, or arbitral tribunal as being due. Forfeiture may also not proceed if the outstanding administration charge (or a combination of service charge, rent and administration charge) is less than £350, unless the unpaid amount (or any part of it) has been outstanding more than three years.

Annex E: The consultation criteria

The Government has adopted a code of practice on consultations. The criteria below apply to all UK national public consultations on the basis of a document in electronic or printed form. They will often be relevant to other sorts of consultation.

Though they have no legal force, and cannot prevail over statutory or other mandatory external requirements (e.g. under European Community Law), they should otherwise generally be regarded as binding on UK departments and their agencies, unless Ministers conclude that exceptional circumstances require a departure.

- 1. Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.**
- 2. Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.**
- 3. Ensure that your consultation is clear, concise and widely accessible.**
- 4. Give feedback regarding the responses received and how the consultation process influenced the policy.**
- 5. Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.**
- 6. Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.**

The full consultation code may be viewed at:

www.cabinet-office.gov.uk/regulation/Consultation/Introduction.htm

Are you satisfied that this consultation has followed these criteria? If not, or you have any other observations about ways of improving the consultation process please contact:

David Plant,
ODPM Consultation Co-ordinator,
Room 3.19,
26 Whitehall,
London, SW1A 2WH;

or by e-mail to: david.plant@odpm.gsi.gov.uk

Annex F: List of interest groups being consulted

Advice in Mediation Service (AIMS)

Association of Chartered Certified Accountants (ACCA)

Association of London Government (ALG)

Association of Residential Managing Agents (ARMA) [Members include multi-criminals
Martyn Gerrard]

Association of Retirement Housing Managers (ARHM)

Auditing Practices Board (APB)

Barclays Bank PLC

Bank of Scotland PLC

Britannia Building Society

British Bankers' Association (BBA)

British Property Federation (BPF)

Campaign for the Abolition of Residential Leasehold (CARL)

Chartered Institute of Public Finance and Accountancy (CIPFA)

Chelsea Building Society

Council of Mortgage Lenders (CML)

Department of Trade and Industry - Small Business Service (SBS)

Federation of Private Residents Associations (FPRA)

Financial Services Authority (FSA)

Halifax PLC

Housing Corporation

HSBC Group

Independent Housing Ombudsman (IHO)

Institute of Chartered Accountants in England and Wales (ICAEW)

Leasehold Advisory Service (LEASE)

Law Society

Leasehold Enfranchisement Association (LEA)

Leasehold Reform Professional Committee (LRPC)

Lloyds TSB

Local Government Association (LGA)

London Forum for Council Leaseholders Associations (LFCLA)

Nationwide Building Society

The Royal Institute of Chartered Surveyors (RICS) [Endorses criminality by its members;
[Members: **the then Martin Russell Jones and Brian Gale**]

Yorkshire Building Society

The above list (in alphabetical order) is not a definitive list of groups and organisations that have been consulted. If there are other organisations which ought to see a copy of this paper, but which are not on the above list, please contact us with details.

Annex G: Regulatory Impact Assessment

Title

1. Residential leasehold reform - Accounting for Leaseholders' Monies and summaries of tenants' rights and obligations.

Purpose and Intended Effect

The issue and objective

2. Issue: Tenants may be asked to hand over large sums of money (service charges) to the manager of their property to pay for works and services. Existing law does not guarantee that these tenants can easily establish whether that money is held properly or has been used wisely and for legitimate purposes. There have been cases where leasehold managers have engaged in fraud and it seems reasonable to assume that not all of these have been both detected and successfully prosecuted.

Tenants may also be asked by the landlord for payment in respect of administration charges payable under the lease. This can be for such things as seeking the landlord's approval or consent, for example erecting a satellite dish or building an extension, or when seeking information from the landlord.

Also, tenants are not always aware of the rights or options available to them where service charges or administration charges are concerned.

3. Objective: We wish to make it more difficult for managers to conceal any failure on their part to obtain good value for money, or any fraudulent activities. We also wish to ensure that sufficient information is provided to tenants.

Risk Assessment

4. Without further safeguards, some tenants paying service charges will continue to be exploited. In particular, there is a risk that large sums of money could be siphoned away from a service charge account over a period of years without it ever being detected.

The Commonhold And Leasehold Reform Act 2002

5. The provisions in the Act should discourage such behaviour and help to ensure that, in any event, such failures are discovered more quickly and the damage limited. We also wish to ensure that tenants are aware of their rights and responsibilities where the payment of monies is concerned.

Options

6. There are a large number of options and variations available in the circumstances. The following sets out the main options identified in respect of sections 152, 153, 156 and Schedule 11 of the Commonhold and Leasehold Reform Act 2002.

The requirement to hold service charges in a separate account (New section 42A of the Landlord and Tenant Act 1987)

7. Option 1: Do nothing.

8. Option 2: Commence new section 42A and prescribe in regulations some, or all of the following: the description of account, the relevant financial institutions, circumstances where the requirements of new section 42A do not apply.

The requirement to provide a regular statement of account, section 21 certificate, summary of tenant's rights and obligations relating to service charges (New section 21 of the Landlord and Tenant Act 1985)

9. Option 1: Do nothing.

10. Option 2: Commence new section 21 but **do not prescribe** anything in regulations in respect of the regular statement of account, section 21 certificate, exceptions to providing the certificate, or the summary of tenant's rights and obligations.

11. Option 3: Commence new section 21 and **prescribe** in regulations the **content and form** of the regular statement of account, section 21 certificate, exceptions to providing the certificate, and the summary of tenant's rights and obligations.

12. Option 4: Commence new section 21 and **prescribe** in regulations the **minimum content (not the form)** for the regular statement of account, the content of the section 21 certificate, and content of the summary of tenant's rights and obligations, together with the exceptions to the section 21 certificate.

Notice to accompany service charge demands (New section 21B of the Landlord and Tenant Act 1985)

13. Option 1: Do nothing

14. Option 2: Commence new section 21B and **prescribe** in regulations the content of the tenants' summary of rights and obligations with regard to service charges.

15. Option 3: Commence new section 21B and **prescribe** in regulations the form and content of the tenants' summary of rights and obligations with regard to service charges.

Notice to accompany demand for administration charges (schedule 11(4) of the Commonhold and Leasehold Reform Act 2002)

16. Option 1: Do nothing.

17. Option 2: Prescribe in regulations the **content only** of the tenant's summary of rights and obligations with regard to administration charges.

18. Option 3: Prescribe in regulations the form and content of the tenant's summary of rights and obligations with regard to administration charges.

Issues of equity or fairness

19. None have been identified.

Benefits

Benefits identified

The requirement to hold service charges in a separate account (New section 42A of the Landlord and Tenant Act 1985)

20. Option 1 (paragraph 7 above):

Landlords - Their position will remain the same. They will be able to continue with the current regime of not being required by law to have to separate out each group of service charge payers' monies. While most landlords are honest, this option will continue to make it easier for service charge payers monies to be misused by those landlords that may have a propensity to do so.

Tenants - Their position would remain the same. They would not have to pay any additional costs, but would not have the greater protection afforded by option 2 below.

21. Option 2 (paragraph 8 above).

Landlords - This option will make it clear to landlords exactly what is required and will leave them in no doubt as to what they have to comply with.

Tenants - As for landlords, this option will ensure that tenants know exactly what the landlord is required to comply with, make it easier to establish compliance with the legislation, and make it easier to establish what is happening with their own money.

They are, however, likely to incur additional costs as a result.

Regular statement of account, section 21 certificate, summary of tenant's rights and obligations (New section 21 of the Landlord and Tenant Act 1985)

22. Option 1 (paragraph 9 above):

Landlords - Their position remains the same. Unless required by the lease, or a tenant makes a written request for a summary, a landlord is under no obligation to provide a statement or other information relevant to service charges. This option would mean that no additional costs are incurred.

Tenants - Their position would remain the same. They would be entitled to ask (in writing) for a summary of service charges, but would incur additional costs if they did exercise the right. However, unless their lease provided for it, they would not be entitled by statute to receive a regular service charge statement or other information. They would also have no redress for a landlord's failure to provide such information.

23. Option 2 (paragraph 10 above):

Landlords - This would allow landlords to decide the entire content and form of the regular statement of account, section 21 certificate and summary of tenant's rights and obligations. Landlords would have to provide a section 21 certificate in all cases (without exception) where a regular statement was provided. Such a wide remit has the potential to lead to abuses and a lack of worthwhile information being provided to the tenant. It would allow the landlord scope not to include details or information they believed could prove problematical or be open to question.

Tenants - Would benefit from regular information relating to service charges. It would also allow them to withhold service charges if the relevant documents are not supplied within 6 months from the end of the accounting period. However, It would have the effect of preventing tenants from withholding service charges where the form and content of the regular statement of account, the section 21 certificate or the summary of tenants rights and obligations, did not conform exactly or substantially with any document prescribed by regulation (as none would have been prescribed). The information could therefore prove worthless to the tenant.

24. Option 3 (paragraph 11 above):

Landlords - Would benefit from knowing exactly what they had to provide to the tenant and in what form. However, this option allows no flexibility whatsoever for the landlord to include information that they believe is relevant, or to provide the information in a form more appropriate to their tenants' circumstances. Potentially, it would also mean the Secretary of State having to prescribe a range of documents to attempt to cover all possible circumstances, which is likely to prove impossible in practice.

Tenants - Would know exactly what information is required from the landlord. It would give tenants the right to withhold service charges, not only if the documents are not supplied within the required time, but also where the form and content of any document did not conform exactly or substantially with any document prescribed by regulation. However, attempts to prescribe the exact information required in any given circumstance may lead to tenants withholding service charges for trivial reasons, which could lead to problems with the ongoing maintenance of a building, or necessary works being delayed.

25. Option 4 (paragraph 12 above):

Landlords - Would benefit from greater certainty as to what is required of them, while allowing them the flexibility to include additional relevant information in the statement of account as appropriate, and choose the most appropriate form to be used, depending on their tenants' circumstances and their own administrative systems. It also makes it easier for landlords to adapt their administration systems to comply with the requirement.

Tenants - should receive meaningful information, allowing them to more easily identify problems associated with poor or dishonest management. They would be aware of their rights and better placed to take action if necessary. For example, withholding service charges if the documents are not supplied within the required time, or where the content of any document supplied does not conform exactly or substantially with the information prescribed by regulation. It is likely to prove cheaper than other options, and should allow the landlord to adapt existing systems without incurring unnecessary costs to the tenant.

Notice To Accompany Service Charge Demands (New Section 21b Of The Landlord And Tenant Act 1985)

26. Option 1 (paragraph 13 above):

Landlords - Would mean that they would not have to inform tenants of their rights and obligations. Would also mean no extra costs incurred in producing the document.

Tenant - No benefits identified.

27. Option 2 (paragraph 14 above):

Landlords - Would be clear on what information needs to be provided, allowing flexibility over the particular form to be used. This coincides with the summary required under new section 21 and is likely to save costs as the same information is appropriate in both circumstances.

Tenants - Will be made aware of their rights and obligations each time the landlord demands service charges, while keeping any costs they may have to pay for production of the summary, to a minimum.

28. Option 3 (paragraph 15 above):

Landlords - Would be clear on what needs to be provided, but it allows no flexibility over the particular form to be used and may increase costs for having to change administrative systems to provide the information in a particular form.

Tenants - Will be made aware of their rights and obligations each time the landlord demands service charges, but may have to pay more for the privilege of receiving it in a specified form.

Notice To Accompany Demand For Administration Charges (Schedule 11(4) Of The Commonhold And Leasehold Reform Act 2002)

29. Option 1 (paragraph 16 above):

Landlords - Would mean that they would not have to inform tenants of their rights and obligations. Would also mean no extra costs incurred in producing the document.

Tenant - No benefits identified.

30. Option 2 (paragraph 17 above):

Landlords - Would be clear on what information must be provided, allowing flexibility over the particular form to be used.

Tenants - Will be made aware of their rights and obligations each time the landlord demands administration charges. Should also keep costs down as the landlord is free to use whatever form is appropriate in the circumstances.

31. Option 3 (paragraph 18 above):

Landlords - Would be clear on what information needs to be provided, but it does not allow the necessary flexibility over the particular form to be used and may increase costs.

Tenants - Will be made aware of their rights and obligations each time the landlord demands administration charges, but may have to pay extra for the information depending on the prescribed format.

Compliance Costs

Business sectors affected

32. These proposals would affect the landlords of the one million or so leasehold flats in England, a number of other properties subject to variable service charges, and the agents that are employed by landlords to manage residential leasehold properties. Leaseholder owned management companies would also be affected. Unless market conditions made it difficult to raise prices, the additional costs would likely be recouped through higher service charges and fees from the tenants. Of course, in some cases this might be more than offset by reductions in service charges if these have been inflated by the actions of poor or dishonest managers.

33. Wales will produce their own consultation paper. Scotland does not have a leasehold system and would be unaffected by these proposals.

Compliance costs for a typical business

The Requirement To Hold Service Charges In A Separate Designated Account (New Section 42a Of The Landlord And Tenant Act 1987)

34. Option 1 (paragraph 7 above): None.

35. Option 2 (paragraph 8 above): Where managers do not already operate separate accounts, there might be one off (set-up) costs if they need to change or amend their accounting systems. We have only received anecdotal estimates of the likely costs, ranging from little or no costs, to tens of thousands of pounds. Of course, in some cases it may be possible for any such costs to be readily absorbed, or kept to a minimum, if passed on to the tenants.

36. We have also received conflicting views on the likely ongoing costs. Managers currently operating separate accounts have stated that the costs for this are negligible, or even that they have made savings through the use of superior software. Managers who object to this provision have estimated the cost at £20 - £40 per tenant. It is not clear from the evidence so far received whether these estimates are excessive or otherwise.

37. Using separate accounts for each group of service charge payers could result in lower rates of interest being paid on each individual account, because service charge monies from different groups might no longer be able to be pooled together to gain the best rate of interest.

However, there is no guarantee that this will always prove to be the case. It should be noted of course, that any interest accrued is for the benefit of the service charge payers.

38. Where extra administration costs for the landlord are concerned, we understand that software compliant with the legislation already exists with some financial institutions, and is being developed with others, that would minimise the additional administrative burden involved for the landlord.

Regular Statement Of Account, Section 21 Certificate, Summary Of Tenant's Rights And Obligations (New Section 21 Of The Landlord And Tenant Act 1985)

39. It is difficult to quantify the costs offered by the various options because we have only been able to gather anecdotal information.

40. Option 1 (paragraph 9 above): None.

41. Option 2 (paragraph 10 above): Should be minimal as landlords or their managers should already be keeping the information that is required for the regular statement, for their own accounting purposes.

42. Most managers already send out accounting information on an annual basis either as a matter of good practice or because it is a requirement of the lease. For those who do not do so, some additional costs may be incurred. Additional preparation and postage costs should be minimal. We believe the main cost will be in providing the section 21 certificate.

43. We do not have specific evidence relating to costs for the section 21 certificate, but we have anecdotal information indicating that the cost of complying with all of the accounting requirements may range from £20 - £40 per tenant. Alternative comment is that depending on what the accountant is required to do, the section 21 certificate alone could cost £20 per tenant. Of course, it may be that some tenants are already receiving similar information (and incurring some of these costs already), particularly under existing law where they can choose to exercise their right to a summary that needs to be certified.

44. Because we understand that most tenants paying service charges already receive annual, certified accounting information, additional compliance costs may well be minimal. Moreover, we intend that, as now, blocks containing no more than 4 flats should be exempt from having to provide a section 21 certificate. We believe that this would exclude nearly a third of all flats from this requirement.

45. Where the summary of tenant's rights and obligations is concerned, managers will have to print or copy the summary and post it to each leaseholder with the regular statement. The additional costs of this document should amount to no more than a few pence for each tenant each time a summary has to be sent out.

46. Option 3 (paragraph 11 above)

This is likely to prove more costly because the existing administration systems would have to be adapted to suit the specific form and content that would have to be prescribed by the Secretary of State.

47. Option 4 (paragraph 12 above).

This option is likely to prove less costly than Option 3 above, and also allows the flexibility to amend existing administrative systems without incurring any unnecessary expense.

The Notice To Accompany Demands For Service Charge (New Section 21b Of The Landlord And Tenant Act 1985)

48. Option 1 (paragraph 13 above): None

49. Option 2 (paragraph 14 above): Landlords will have to send out a notice each and every time that they send out a demand for service charges. Because most leases set out when service charges are to be paid, this will dictate how many times the landlord will have to send the notice out. On average, this could be between twice and four times per year.

50. Because the summary to be sent is exactly the same required under new section 21 (section 152 of the 2002 Act), there should be no need to produce a separate type of summary.

As under new section 21, the additional cost of sending this document should amount to no more than a few pence for each tenant each time it is sent out (see paragraph 45).

There are also likely to be costs for amending current administrative systems, although this option allows some flexibility in the amount of changes that need to be made.

51. Option 3 (paragraph 15 above): As option 2 above, but with the likelihood of additional set-up costs being incurred for amending current administrative systems to comply with the specific form required.

The Notice To Accompany Demands For Administration Charges (Schedule 11(4) Of The Commonhold And Leasehold Reform Act 2002)

52. Option 1 (paragraph 16 above): None.

53. Option 2 (paragraph 17 above): Landlords will have to send out a notice each and every time they send out a demand for administration charges. We estimate that the additional cost of this document should amount to no more than a few pence for each tenant each time a request is sent out. However, because there is no way of telling how many requests a landlord may make for administration charges in any one year, it is difficult to estimate. Landlords will also incur costs in setting up the systems to produce the notice.

54. Option 3 (paragraph 18 above): As option 2 above, but with the potential for additional costs in order to produce the specific form that would be prescribed.

Consultation with small business

55. The majority of landlords of leasehold property would be considered small businesses (although there are some landlords with larger portfolios of leasehold property). Indeed, many would be considered extremely small businesses. We therefore intend to consult with the Small Business

Service on our proposals. This consultation paper has also been widely circulated to individual landlords and representative groups.

56. At this stage however, we are satisfied that these provisions will not have a disproportionate effect or cost on small businesses.

Other costs

57. Enforcement would be primarily through the right for a tenant to withhold service charges where certain requirements had not been met. In most cases, this should lead to landlords or managers rectifying matters without the need to refer the matter to a court or Leasehold Valuation Tribunal (LVT) to resolve. However, we would expect some additional cases to be brought before a LVT, and the Government, which subsidises the LVTs, would face additional costs as a result. We would not expect these increased costs to be significant however, and would meet them from within existing provision.

58. Tenants paying service charges, as now, would also be able to bring proceedings for a summary offence against their landlord should they wish (via the local housing authority) if the landlord failed to comply with the new rules. While these cases would be a matter for a court to deal with, we would not expect the new requirements to increase the number of such cases brought before a court. Indeed, the existence of an effective, alternative enforcement mechanism (withholding service charges) might reduce the need for the bringing of such prosecutions.

Competition assessment

59. We have assessed the impact of the proposals against the Office of Fair Trading checklist criteria and believe that there is unlikely to be a negative competition impact as a result. The provisions will apply to most landlords/managers that are responsible for collecting service charges.

Recommendations

60. In light of the above assessment we recommend the following options:

■ **The requirement to hold service charges in a separate designated account (New section 42A of the Landlord and Tenant Act 1987)**

Option 2 as set out in paragraph 8 above.

■ **Regular statement of account, section 21 certificate, summary of tenant's rights and obligations (New section 21 of the Landlord and Tenant Act 1985)**

Option 4 as set out in paragraph 12 above.

■ **Notice to accompany demands for service charges (New section 21B of the Landlord and Tenant Act 1985)**

Option 2 as set out in paragraph 14 above.

■ **Notice to accompany demands for administration charges (schedule 11(4) of the Commonhold and Leasehold Reform Act 2002)**

Option 2 as set out in paragraph 17 above.

Enforcement, sanctions, monitoring and review

61. Enforcement and sanctions would be as above (see paragraphs 57 and 58). The Department would be able to monitor the new system by examination of LVT decisions and by using the feedback provided in correspondence from the public and others. If appropriate, the Department would also commission research to establish and review the impact of these provisions.

Q.38: What are the cost implications for implementing the requirement to hold service charges in separate accounts as described in paragraphs 7 and 8 above. (Please provide supporting evidence)?

Q.39: What are the cost implications for implementing the requirement to provide a regular statement of account, section 21 certificate and summary of tenant's rights and obligations as described in paragraphs 9, 10, 11 and 12 above. (Please provide supporting evidence)?

Q.40: What are the cost implications for implementing the requirement to provide a summary of tenant's rights and obligations for service charge demands as described in paragraphs 13, 14 and 15 above. (Please provide supporting evidence)?

Q.41: What are the cost implications for prescribing in regulations the details of the summary of rights and obligations of tenants in relation to administration charges, as described in paragraphs 16,17 and 18 above. (Please provide supporting evidence)?

Annex H: Summary of Questions

Chapter 2

The requirement to hold service charges in a separate account (New section 42A of the Landlord and Tenant Act 1987).

Q.1: Do you agree with the commencement date of 1 April 2006?

Q.2: Do you agree with the proposal that the account include in its name the wording 'section 42A account' and that it bears a proper account number?

Q.3: Should any other general features for the account be prescribed in regulations (please specify)?

Q.4: Do you agree with the proposed requirement that a section 42A account may only be opened and operated by persons aged 18 or over (if not please give reasons)?

Q.5: Do you agree that there are no other circumstances which justify a specific exception from having to comply with section 42A (if not please specify with reasons)?

Q.6: Do you agree with the proposed definition of relevant financial institution (if not please specify)?

Chapter 3

The requirement to provide a regular statement of account, Section 21 certificate, and summary of tenant's rights and obligations, and the notice to accompany demands for service charges (New sections 21 and 21B of the Landlord and Tenant Act 1985).

The Regular Statement (Annex A)

- Q.7: Do you agree with the minimum content proposed for the regular statement?**
- Q.8: If not, what should be different (please be specific)?**
- Q.9: Should the information included in the individual part of the statement of account for the tenant be drawn up or presented differently (please specify)?**
- Q.10: Do you think there should be a requirement that items of expenditure above a specified threshold should be individually identified?**
- Q.11: If so what should that threshold be?**
- Q.12: Should comparative figures be provided for expenditure in the previous year?**
- Q.13: Should any budgetary figures be provided for direct comparison against actual expenditure?**
- Q.14: Should items of expenditure which were paid for out of monies in any Reserve Fund be separately identified?**

Costs

- Q.15: What are the cost implications of this proposal (please provide supporting evidence where possible)?**
- Q.16: If items of expenditure above a specific threshold should be identified, what would be the cost implications?**
- Q.17: Are there any 'off the shelf' packages available that can provide the required information already. If so, what is the cost of these packages?**

(Please note that any information received in regard of costs will be treated as confidential)

Section 21 Certificate (Annex B)

- Q.18: Do you agree with the content of the section 21 certificate?**
- Q.19: If not, what changes do you propose and why (please be specific)?**
- Q.20: Does the proposed content of the certificate clearly show what work has been carried out and what work has not?**

Proposed Exceptions From Providing The Section 21 Certificate

- Q.21: Do you agree with proposed exception 1?**
- Q.22: Proposed exception 2 - do you agree that there should be an exception where only interest is paid to the section 42A account, or money is paid into the sinking or reserve fund?**
- Q.23: Proposed exception 2 - do you agree that there should be no exception where money is transferred out of the sinking or reserve fund?**
- Q.24: Do you agree with proposed exception 3?**

Q.25: Do you agree with proposed exception 4?

Q.26: Do you agree that the written authority required under proposed exception 4 should be received by the landlord at least one month before the end of the relevant accounting period?

Summary of tenants rights and obligations relating to service charges (annex c)

Q.27: Do you agree with the content of the summary?

Q.28: If not, have we excluded any rights or obligations that should be included (please specify)?

Q.29: Is there a better way of showing the information than that proposed (if yes, please give examples)?

New section 21 - commencement & compliance period

Q.30: Do you agree with the commencement date of 1 April 2006 for new section 21?

Q.31: If not, what commencement date would be appropriate and why?

New section 21 - transitional arrangements

Q.32: Do you agree with the proposed transitional arrangements set out in paragraphs 36, 37 and 38?

Summary of tenants rights and obligations relating service charges (to be sent with service charge demands) (annex c)

Q.33: Do you agree that the summary of tenants' rights and obligations proposed for new section 21 should be used where a service charge demand is made under new section 21B?

Q.34: If not, what should be provided by way of a summary (please specify)?

Chapter 4

Notice in connection with demands for administration charges (schedule 11(4) of the Commonhold and Leasehold Reform Act 2002) - (Annex D)

Q.35: Do you agree with the proposed content for the administration charges summary?

Q.36: If not, have we excluded any rights and obligations that should be included (please specify)?

Q.37: Is there a better way of showing the information than that proposed. (If yes, please give examples)?

Regulatory Impact Assessment (Annex G)

Q.38: What are the cost implications for implementing the requirement to hold service charges in separate accounts as described in paragraphs 7 and 8 of the assessment. (Please provide supporting evidence)?

Q.39: What are the cost implications for implementing the requirement to provide a regular statement of account, section 21 certificate and summary of tenant's rights and obligations as described in paragraphs 9, 10, 11 and 12 of the assessment. (Please provide supporting evidence)?

Q.40: What are the cost implications for implementing the requirement to provide a summary of tenant's rights and obligations for service charge demands as described in paragraphs 13, 14 and 15 of the assessment. (Please provide supporting evidence)?

Q.41: What are the cost implications for prescribing in regulations the details of the summary of rights and obligations of tenants in relation to administration charges, as described in paragraphs 16,17 and 18 of the assessment. (Please provide supporting evidence)?