

## Stock Condition Surveys and Sinking Funds:

Where provided for in leases, Equity Housing Group (EHG) will establish sinking funds to provide for future major repairs to avoid large one-off service charge demands.

Calculation of sinking fund contributions will be based on a professional assessment of the life expectancy of the building components and will be included in the service charge.

Setting up a sinking fund helps to ensure that all homeowners, irrespective of when they actually live in the scheme, share the financial cost, as it would be unfair to expect future occupants to pay for major works. The sinking fund helps maintain the value of your assets and avoids or offsets the need to pay large one-off sums when major works are required. By law we have to consult with you before ordering any major works unless it is an emergency.

The leaseholder's contributions is based on a professional assessment of the life expectancy of the building components. A component may exceed the prediction

and, equally, it may require replacement earlier than expected. The level of contributions from leaseholders is reviewed periodically. The amount in each scheme's sinking fund is shown in the audited accounts, along with details on what money is required.

Monies held in the sinking fund are held in 'trust' for each scheme in an interest bearing account. The interest received is added to the sinking fund and is shown in the audited accounts.

As the monies are held in trust, we are unable to use these amounts for our own purposes and, in the very unlikely event of Equity Housing Group Limited going out of business, creditors would not have a claim against them.

The sinking fund on one scheme cannot be used to fund work on another.

Typical major repairs and replacements for which the sinking fund would be used are (this is not intended to be an exhaustive list):

- Roofs, guttering
- External drainage
- Footpaths, parking areas, access roads (where not adopted)
- Communal lighting and power
- Communal TV aerial systems
- Boundary walls and fences
- Communal water pumps
- Door entry systems and warden



call systems (where fitted)

- Lifts (where fitted)
- Communal windows to the buildings

A stock condition survey allows us to collect information relating to buildings of which we manage. The surveys are carried out by independent building surveyors who look at all parts of a building to assess the condition and state of repair and plan for immediate and future works.

Typical items that will be looked at as part of the survey include roofs, rainwater goods, general structure, windows, doors, communal electrics, communal flooring, fencing, walls, paths etc. We aim to carry out a stock condition survey at each of our buildings every five years.

A sinking fund is the name given to a long term savings account that homeowners contribute to every month through service charges.

This builds up every year and should pay for any major works that are required over a period of time, such as the painting of communal areas or replacement of a roof or windows. You will need to check your lease to determine what items you are responsible for and what items your landlord is responsible for.

### **Why do we need to carry out stock condition surveys?**

We need to keep the structure, interior, exterior and communal areas of the property in good repair, so the survey will look at the age and condition of the

building itself including the roof, external brickwork, any lifts and stairways, communal lighting and fire alarms, windows and communal decorations and also any fencing, shared walls and paths.

Under the terms of your lease, you must contribute towards the cost of this work as a service charge and a periodic stock condition survey helps us to more accurately assess the annual payments you make to Equity Housing Group Limited because the information that we collect regarding the stock condition will allow us to budget more effectively.

### **How will the stock condition survey affect me and do I need to do anything now?**

You do not need to do anything. The survey will be carried out to the external part of the building only and any internal/communal areas. Should access to your property be required then we will contact you in advance to arrange this.

We will generally appoint an external company to carry out the surveys and we will let you know who they are in advance and what you can expect.



Please remember that these surveys take place only periodically, so please wait for us to contact you first to advise if a stock condition survey is being planned.

### **Why have a sinking fund?**

If a sinking fund is not set up, payment for any required works are due from a homeowner on completion of the works. This can mean that homeowners will receive large bills that will need to pay upfront or with a short period of time after the work has been completed. A sinking fund should mean that no additional payments are due when major works are required. Sometimes this is unavoidable if a component fails before the end of its estimated lifecycle or in cases where emergency health and safety work is required.

### **How do you work out how much I have to pay towards the sinking fund?**

When a development is built the builder will provide Equity Housing Group (EHG) with a cost list of all component parts of the building, such as windows, roof, lifts, pumps, fire safety systems and approximate life expectancies for each component. From this information EHG can work out how much is needed from each property to pay for the works when required. This information is then

placed into EHGL's major works database so that reminders are provided when works are expected. Other factors such as independent stock condition surveys, works to similar properties and inflation are also taken into account.

### **What if no works are required?**

No works are started until a qualified surveyor has inspected the property and assessed the condition. If it is deemed no works are required a reassessment will be scheduled for the following year.

Alternatively, if a component such as a pump fails and is beyond repair this will be replaced when required.

### **Will I be consulted about any works that are required?**

Yes, we are obliged to consult with you for any single item of works that will cost more than £250 per property. This will be in the form of Section 20 letters that meet legal requirements.

If you have any comments, wish to nominate a contractor or have a query



with the costs or works you should contact us as soon as you receive your consultation letter.

Further information about consultation legislation can be found at [www.lease-advice.org](http://www.lease-advice.org) (This is a free Government- funded service that provides independent advice to homeowners).

## **What happens if there is not enough money in the sinking fund to pay for the works?**

EHG do try to avoid scenario's such as this where possible, however unexpected works do occur. You will receive formal confirmation of the final amount of works and any likely shortfall.

EHG will pay for the contractors bill, make the contributions due for our customers, deduct an amount from the sinking fund and any amount still left will be payable by homeowners.

Payment options may be available for a short period depending on the amount owing. We also have a Money Advice Officer who can help you with managing your finances and budgeting.

Who looks after my sinking funds contributions?

All contributions are held by EHGL in a central bank account and accounted for separately. Interest is earned on the

monies that are held and is added to the sinking fund balance every year.

I live in a mixed block of flats; do I pay for the tenant's works through my sinking fund?

No, you only pay for your contribution due. If you live in a block containing ten flats, five of which are owned on a shared ownership or leasehold basis and five rented, each homeowner will pay a contribution of 1/10th of the cost of the works. EHG would pay 1/10th for each of the rented tenants as a contribution. This is paid for through the tenants rent.

## **Can I take my sinking fund contributions with me when I move?**

No, the contributions that you make will remain in the account and be used when works are required. A buyers solicitor will always write to EHG and enquire about the sinking fund balance. From experience a sinking fund will improve the 'saleability' of a property as the repair burden on the buyer is reduced.

## **What do I do if I think the sinking fund contributions are too high?**

If you want clarification of what you are paying you can get this from Equity Housing Group Limited's Home Ownership team. This includes items covered, life expectancy or the balance in the account.



If you are still not satisfied you will need to provide reasons why you think the charge is too high that are supported by factual evidence such as obtaining your own independent RICS Chartered surveyors report.

We may then commission a further independent survey report to review the charges that is supported by your evidence. The result of the report will be binding on both sides, this could mean that the sinking fund contributions increase further or decrease depending on the report findings.

Another option is for you to make an application to

### **What if I do not pay into a sinking fund?**

All new build properties where Equity Housing Group Limited have maintenance responsibilities for under the terms of the lease have a sinking fund set up as a matter of course.

A few of our older properties, particularly housing developments/schemes may not have a sinking fund reserve to pay for replacements of boundary fencing and resurfacing of private roads.

This means that no monies have been put aside by homeowners for works that will be required and full payment will be invoiced once works have been completed. Full consultation on the works will be carried out and payment options will be available after the final bill is known.

### **Can I start a sinking fund at our property if we don't currently have one?**

Yes, if everybody is agreeable in the building and or scheme then EHG will work with you to agree suitable contributions and remaining life expectancies on parts of the building and communal areas that will require work in the future.