



Advice Note: LSE Management Fee Limit for 2012/13

This note advises Private Registered Providers who own or manage retirement leasehold accommodation of management fee limits for financial year 2012/13.

From 1 April 2012, the basic limit will be £382. The limit enhanced for VAT, where applicable, will be £437.

These limits have been agreed with the Department for Communities and Local Government (CLG) which has policy responsibility in this area.

Calculations

The limit on the management element of relevant service charges is recalculated annually, with reference to the rent setting formula. This means that the basic limit rises each year by RPI + 0.5%. The annual rate of increase in RPI at September 2011 was 5.6%. Applying the combined amount of 6.1% to the LSE management fee limit increases the basic limit to £382 for 2012/13.

The VAT-enhanced limit applies where the landlord contracts out the management element to a property manager who is required to charge VAT on management services. The calculation is weighted to reflect the fact that VAT may already have been paid on some goods and supplies. The weighted factor corresponding to a standard VAT rate of 20% is 14.37%.

Enhancing the basic limit by 14.37% produces a VAT-enhanced limit of £437 for 2012/13.

Applicability

The limit applies to the management element of relevant service charges in Leasehold Schemes for the Elderly, Shared Ownership for the Elderly, and other types of grant-funded retirement leasehold accommodation, only where a clause appears in leases to specify that the limit should apply. The limit does not apply automatically where no such clause appears.

Good Practice

Good practice on application of the limit and on management of retirement leasehold generally can be found in the Association of Retirement Housing Managers' *Private Retirement Housing Code of Practice* (from www.arhm.org).

Information

Information about the limit can be obtained from Chris Melia in the Regulatory Assurance Team at the Regulator's London office, chris.melia@tsa.gsi.gov.uk

Advice about leasehold housing

General advice and information about leasehold housing can be obtained from LEASE, the Leasehold Advisory Service (www.lease-advice.org).

Date of this announcement: 29 November 2011