



PRESS
INFORMATION

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ARMA Promotes Best Practice for Service Charge Accounting

Following publication today of the first detailed guidance on accounting for residential service charges, The Association of Residential Managing Agents (ARMA) has issued advice for leaseholders on the key issues covered by the guidance. ARMA intends this to help leaseholders understand what they should be expecting from their landlords or managing agents in terms of best practice when it comes to how their service charge money is spent.

In spite of ongoing pressure from ARMA on the Government, there are no statutory requirements for the preparation and content of regular service charge accounts. Nor are there requirements for the external examination of such accounts. Furthermore, many leases are silent on exactly how service charge accounts should be produced. This often leads to inconsistent accounting practices and confusion over how such monies should be accounted for.

To fill the void created by the lack of accounting Regulations and give leaseholders greater confidence in the way their money is handled, ARMA, the Institute of Chartered Accountants for England and Wales, the Association of Chartered Certified Accountants and the Royal Institution of Chartered Surveyors have cooperated to issue detailed best practice guidance on accounting for service charges. The guidance aims to clear up the inconsistencies in approach to such accounts and ultimately increase transparency in service charge accounting procedures. ARMA's Lessee Advisory Note, *Accounting for Service Charges – Best Practice*, is based on this guidance document known as Tech 03/11.

Commenting on the publication of the new best practice guidance ARMA's chairman Peter Dening said "When you think that landlords and managing agents are collectively handling over £1bn worth of service charge monies every year yet there are no statutory requirements for the accounting methods, this could be some of the most significant guidance leaseholders have had for quite some time. We wanted to ensure that it was as accessible as possible which is why we decided to condense the most important elements of the detailed guidance into a four page Lessee Advisory Note which is free to download from www.arma.org.uk along with the full 36 page Tech document."

ENDS

NOTES TO EDITORS

1. ARMA's Lessee Advisory Note (LAN), *Accounting for Service Charges – Best Practice*, summarises what leaseholders should be able to expect and provides essential information on: bank accounts for service charge monies; deficits, loans and overdrafts; annual statements of account for service charges; audits, certifications or accountants' reports for service charges; timescales for annual statements of account for service charges.
2. The LAN along with the full 36 page Tech document can be downloaded from http://www.arma.org.uk/public/h/downloadable_publications
3. Formed in 1991, ARMA is the only body in England and Wales to focus exclusively on matters relating to the management of long leasehold residential property. The association has over 260 firms in membership that between them manage some 900,000 units in more than 34,000 blocks of flats or estates (at least 60% of which are lessee-controlled properties). ARMA's founding principal aims are to represent its members and the interests of lessees, resident management companies and investor

freeholders. More information on the association can be found at
www.arma.org.uk.

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