Service charge accounts and company accounts: what you need and when

The two sets of accounts a building company has to think about, what each must show, and how to report to leaseholders.

A leasehold management company has two jobs with money, and they are easy to confuse. It must account to the leaseholders for the service charge, and it must account to Companies House and HMRC as a limited company. The two sets of figures are related, but they are different documents with different rules.

Service charge accounts

These show leaseholders what was collected and spent on the building in the accounting year. They are usually set by the lease.

- Income: the charges demanded and received.
- Expenditure by heading, compared with the budget.
- The reserve fund: opening balance, contributions, spending and closing balance.
- Any money held at the year-end, and any amounts owed.

Leaseholders have statutory rights to ask for a summary of costs and to inspect the supporting documents. Check whether your lease requires the accounts to be certified or audited.

The company's statutory accounts

As a limited company, the building company must prepare annual accounts and file them at Companies House, normally within nine months of the end of its financial year for a private company. The accounts follow accounting standards, and the company's tax position must also be considered. Trust money held for the service charge may need to be dealt with separately from the company's own money. Take advice on how it is presented.

Other filings

- **Confirmation statement,** at least once a year.
- **Changes to directors and registered office,** when they happen.
- **Corporation tax return and payment,** where the company has taxable income, including interest.

Reporting to leaseholders

- Send the service charge accounts promptly after the year-end, with a short explanation.
- Show the budget and the actual figures side by side, with reasons for large variances.
- Present the reserve fund clearly.
- Offer a meeting or Q&A for leaseholders who want to ask questions.

Records to keep

Keep invoices, bank statements, contracts, minutes and correspondence for the period the law requires, and for the life of the building in the case of key documents.

Who should do it

Many boards find that bookkeeping, service charge accounts and statutory accounts are best done by an accountant who understands leasehold companies. Murphy Thompson Moore LLP provides these services to leasehold companies. The scope and fee are agreed for each building.

> Keep the two sets of accounts consistent. A leaseholder who spots that your figures do not agree will question everything else.

General information, not advice on your circumstances. Leasehold law is detailed and changes: check the current position and take advice before acting. Leasehold Clarity is provided by Leasehold Clarity Limited (company no. 16963931), with management and professional services from Murphy Thompson Moore LLP (LLP No. OC314041).